Austria	Sch24	Indonesia	Rp4100	Pakistan	Rs35
Bahrain	Din0.750	Iran	Rial10	Philippines	Peso50
Belgium	BFr65	Israel	Shk5.50	Poland	Zl8,000
Cyprus	C£0.80	Italy	L2200	Portugal	Esc165
Denmark	DKr12.00	Jordan	JD1	Qatar	QR9.50
Egypt	£E3.25	Kuwait	Fils.600	S.Arabia	SR7.00
Finland	FM9.00	Lebanon	L£800	Singapore	S$4.10
France	FFr7.50	Lux	LFr55	Spain	Pta185
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh9.00	Switz	SFr2.50
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht50
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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Wednesday September 5 1990

ΦD 8523A

GATT
New plans could lead to accord on dumping
Page 5

World News

South African troops open fire on ANC supporters

South African troops opened fire on a crowd of African National Congress supporters in the black township of Sebokeng, killing nine people.

The incident supports allegations of security force involvement in violence, which has left more than 500 dead in three weeks. Page 7

New NZ premier

New Zealand has its third Prime Minister in just 13 months. Mike Moore, 41, toppled Geoffrey Palmer after a protracted behind-the-scenes battle by government ministers. Page 20

Brazil mass grave

Authorities discovered a mass grave in Sao Paulo with the skeletal remains of about 1,700 bodies, thought to be mostly poor people and opponents of Brazil's former military rulers in the early 1970s.

Korean detente

North Korea's Prime Minister crossed the border into South Korea for exploratory talks to bring the two former enemies closer together. Page 20

Ethiopian floods

Floodwaters from three rivers, caused by torrential rain, left 50,000 Ethiopians and Sudanese people homeless and forced 400,000 from their land.

Soviet-Japan talks

Eduard Shevardnadze, the Soviet Foreign Minister, arrived in Japan with the message that Moscow is ready for a fundamental change in the troubled relationship between the two countries. Page 7

Allende reburied

Chile reburied its former socialist president Salvador Allende in a symbolic state funeral which sought to close a painful chapter of the nation's history. Page 5

Ex-soldiers protest

A group of Nicaraguan war-wounded, some blind, others in wheelchairs, stormed the headquarters of the government's television network in Managua, demanding higher pensions, forcing two television stations off air.

Peace bid in danger

Cambodian peace talks, due to open in Indonesia today, are in jeopardy before they begin because three of the four main leaders have threatened to stay away. Page 7

Moscow running low

Moscow's mayor called for up to 500 soldiers to be put to work in the city's bakeries to overcome a chronic bread shortage. Soviet Union slides towards dictatorship, Page 6

Nuclear test claims

French nuclear tests in the South Pacific have killed several people and caused congenital abnormalities, former test site workers said in a new book published by Greenpeace.

Shops must close

Police ordered ethnic Albanian shopkeepers in Yugoslavia's Kosovo province to close indefinitely as punishment for taking part in pro-autonomy protests. Page 6

Austria sends troops

Austria, faced with a growing influx of eastern Europeans, ordered 1,500 additional troops to help guard its eastern borders. Page 6

French train crash

A train driver was killed and 74 people injured when a French goods train collided with a Geneva-Barcelona passenger train west of Grenoble.

Tell us another one

A Peruvian businessman claimed the world record for joke-telling. Felipe Carbonell said he told 6,000 jokes during a non-stop four day joke-telling marathon in Lima.

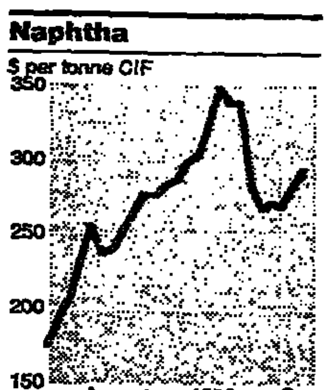
Business Summary

German unity bonds fail to raise funds at first auction

The West German Government's borrowing programme, expanded to cover needs of East German economic revival, suffered a hitch with failure to raise any funds during the first auction of German unity bonds. Page 21

MARKETS: Naphtha: Europe's chemical industry could face annual extra costs of $5bn because of rise in naphtha prices since Gulf crisis. In August alone they paid an estimated extra $400m-500m. Wall Street: news that the US had intercepted an Iraqi ship sent Dow Jones down by 24.26 points by mid-session. But the market closed barely changed at 2613.37, down 0.99. Tokyo: Nikkei average closed down 512.79 at 24,907.64. Frankfurt: recorded a 2.4 per cent retreat in lowest volume of 1990, DAX index closing at 1,590.07. Currencies, Back Page Section II; Naphtha, Page 20

Naphtha



Source : Petroleum Argus

OERLIKON-Bührle's chairman Dietrich Bührle, who dominated Swiss industrial and armaments group for 34 years, resigned with managing director Michael Funk. Page 21

HOECHST, West German chemical giant, suffered 13.7 per cent drop in pre-tax profits in first half 1990. Page 21

HONG Kong businessmen were granted immunity from prosecution in order to give evidence at trial of Ronald Li, former chairman of Hong Kong's Stock Exchange. Page 20

ELECTRICITY companies in England and Wales are to discuss proposals for world's first futures market in electricity. Page 20

SEDGWICK Group, Europe's largest insurance broker, made only 3 per cent gain in interim pre-tax profits. Page 21; Lex, Page 20

URUGUAY Round: proposals on anti-dumping from Charles Carlisle, deputy director-general of General Agreement on Tariffs and Trade (Gatt), may lead to agreement. Page 5

FUTURES trial: 15 yen futures traders and brokers are going on trial accused of cheating customers, the second case to stem from corruption probe at Chicago's two leading futures exchanges. Page 5

NISSAN Motor, Japanese car manufacturer, will buy parts for its US-made vehicles from Toyota Motor affiliate Nippondenso. Page 5; European Strategy, Page 10

NIGERIA: excessive government expenditure threatens to destabilise exchange rate and fuel inflation. Page 7

TIN: Brazil, world's biggest producer, may limit production on joining Association of Tin Producing Countries. Page 31

CHILE has secured its first voluntary commercial bank credit since the debt crisis struck in 1982. Page 5

ELF Aquitaine, French state-controlled oil group, recorded 15 per cent rise in first-half net profits. Page 22

FRANCE stopped Carat and Eurocom, two of country's largest advertising groups, from pooling media buying in domestic market. Page 22

Philips cuts microchip output and research

By Ronald van de Krol in Amsterdam and Michael Skapinker in London

PHILIPS, the Dutch electronics group, is to reduce its participation in Europe's leading semiconductor research project and halt production of a key computer chip with the loss of 4,000 jobs.

The measures, which caused dismay yesterday among other European computer companies, mark the first steps by Mr Jan Timmer, recently appointed as Philips' president, to remove the group from unprofitable businesses. The components division lost Fl 125m ($71.4m) last year.

The moves represent a reversal for the company, which has long argued that European electronics companies needed to stay in the forefront of research to avoid becoming dependent on the Japanese.

The company said yesterday it planned to stop pilot production of one-megabit static random access memory (S-Ram) chips, a product in which it has invested more than Fl 1bn since the mid-1980s.

The decision to close down the S-Ram pilot factory in Eindhoven and to cancel plans for commercial production of the chips was taken because prices for the advanced components had come under too much pressure to make large-scale output profitable, the company said. "It was a decision based on business grounds."

Philips is resigning as the leader of the S-Ram project of the Joint European Submicron Silicon Initiative (Jessi), which was set up last year to counter Japanese and US domination of the microchip industry.

In addition, the company will virtually stop manufacturing three other components: liquid crystal displays (LCDs) for laptop computers; image sensors; and semiconductor lasers.

Together the measures will mean the loss of 4,000 jobs, mainly in the Netherlands and other parts of Europe, where the components division employs 35,000.

Philips gave no financial details, but analysts forecast that the measures would lead to restructuring charges running into hundreds of millions of guilders.

Mr Timmer, who took office on July 2 with a reputation as a determined reorganiser, has said Philips will suffer a loss of Fl 2bn this year and that it will need to cut some 10,000 jobs.

Mr Klaus Knapp, Jessi's spokesman, said that the project which Philips is abandoning is only one of 50 sponsored under the $5bn initiative.

He said yesterday that Philips had assured him it remained committed to its other Jessi projects, including one aimed at developing high definition television.

Nevertheless, representatives of Europe's other semiconductor companies expressed dismay at the decision.

"We're not happy at all. This will hurt Europe," said Mr Carlo Ottaviani, a spokesman for SGS-Thomson Microelectronics, the Italian-French chip manufacturer.

Philips' shares were unchanged at Fl 23.60.

Background, Page 21

US Navy seizes Iraqi cargo ship ● France warns chances of peaceful solution fading

Moscow calls for peace conference to avert war in Gulf

By Leyla Boulton in Moscow, Lionel Barber in Washington and Andrew Gowers in London

THE SOVIET UNION yesterday launched a fresh bid to avert war in the Gulf by suggesting that an all embracing Middle East peace conference could ease the crisis over Iraq's invasion of Kuwait.

In a speech in Vladivostock, Mr Eduard Shevardnadze, the Soviet Foreign Minister, said this weekend's summit meeting between Presidents George Bush and Mikhail Gorbachev would mark a "major milestone" on the road to resolving the "highly critical emergency" in the Gulf.

However, fears of imminent escalation in the conflict continued to run high. The US Navy was reported to have impounded an Iraqi freighter entering the Gulf in the first seizure under the United Nations blockade. The US Defence Department said the 3,549-tonne Zanubia, laden with Sri Lankan tea and bound for Iraq, was stopped in the Gulf of Oman by the USS Goldsborough, boarded and taken to the Omani port of Muscat.

In Paris, the French Foreign Ministry said European and American military commanders in the Gulf were to hold a special co-ordination meeting this weekend to tighten their co-operation in implementing the embargo. The announcement followed a warning from Mr Roland Dumas, French Foreign Minister, that the chance of a peaceful solution might "no longer exist in a few days."

The US is drawing up plans for a new regional security system in the Gulf to deter future aggression, Mr James Baker, US Secretary of State, told Congress yesterday. In a major review of US policy, Mr Baker said the US was interested in securing support from Arab states and others in a multinational effort to preserve the balance of power in the region once the present crisis with Iraq is resolved.

In Washington, Mr Marlin Fitzwater, the White House spokesman, said President Bush would be seeking at the Helsinki meeting to stiffen Soviet resolve in opposing Iraqi President Saddam Hussein.

However, Mr Shevardnadze's speech suggested that Moscow is still desperately casting around for ways of preventing a military confrontation and finding an honourable way for Mr Saddam to pull his forces out of Kuwait.

"After one more look at the situation, we have come to the same conclusion – that we have to step up pressure for an international conference on the Middle East," he was quoted as saying by Tass. "Presumably, Israel's agreement to its convocation could exert a positive influence on the overall situation in the Middle East and on efforts to defuse the crisis in the Gulf."

Mr Shevardnadze did not elaborate on his proposal, which appeared to be an extension of the Soviet Union's long-standing call for an international conference to resolve the Arab-Israeli dispute, taking in the Gulf crisis and the civil war in Lebanon as well.

The White House reacted coolly to the Soviet plan for a peace conference on the Gulf, the Arab-Israel dispute and Lebanon. Officials said they needed time to study the proposal and stressed that the US did not see Helsinki as a chance for a diplomatic breakthrough.

In Jerusalem, Mr Yitzhak Shamir, Israel's Prime Minister, welcomed the idea of a conference on the Iraq-Kuwait situation but made clear that Israel remained opposed to any conference on the Arab-Israel conflict.

It is not clear, however, how hard Mr Gorbachev, who goes to Helsinki in a position of considerable domestic weakness, will press the conference proposal.

Iraqi President Saddam Hussein is still showing no sign of willingness to contemplate withdrawing his forces from Kuwait. Iraq yesterday denied a report from a senior official of the Palestine Liberation Organisation that it would be prepared to relinquish control of most of Kuwait and free Western hostages in exchange for a US pledge not to use force against Baghdad.

Meanwhile, King Hussein of Jordan was reported to be planning to go to Baghdad for talks with President Saddam.

The White House confirmed that President Bush would ask Congress to forgive Egypt's near $7bn military debt to the US. The debt forgiveness plan aims to send a signal to rich allied countries such as Japan and West Germany that they too must bear part of the financial burden created by the Gulf crisis.

Egypt took the lead among Arab countries in supporting the US military build-up in Saudi Arabia, and estimates it could lose more than $2bn a year because of the UN embargo on Iraq.


Soldier of the US 82nd Airborne Division has his hands full as he unloads cans of soft drink somewhere in Saudi Arabia yesterday

Gorbachev to take charge of economic reform plan

By Leyla Boulton in Moscow

PRESIDENT Mikhail Gorbachev will personally present an economic reform package to the Soviet parliament next week, dealing a fresh blow to the battered prestige of Mr Nikolai Ryzhkov, the Prime Minister.

Mr Vitaly Ignatenko, the President's spokesman, said Mr Gorbachev was taking charge of the programme for the transition to a market economy because of its political importance.

He denied that this meant the Soviet leader had lost confidence in his Prime Minister, who has presented two abortive economic reform programmes to parliament over the past year.

Last weekend Mr Boris Yeltsin, the Russian President, demanded Mr Ryzhkov's resignation, saying he was incapable of successfully promoting economic reform because he had lost public confidence. Mr Gorbachev, however, said that the urgent need for quick reform to stem public discontent ruled out "the luxury of a major reshuffle of government structures."

The Soviet leader appears for the moment to be seeking a way of distancing himself from Mr Ryzhkov, who has said he will resign if the nation no longer trusts him.

Mr Ignatenko said Mr Gorbachev was working on ways of whittling down differences between Mr Ryzhkov's programme and the radical alternative drawn up by a working group which the Soviet President set up with Mr Yeltsin last month. Mr Gorbachev has already said he prefers the draft drawn up by Professor Stanislav Shatalin, his radical economic adviser, but that it needs amending.

A meeting of the Presidential Council and the Federation Council, which groups leaders from the republics, was expected to meet late into last night to work on a single package of economic reform.

Mr Ignatenko said a single draft would be presented to the Supreme Soviet when it reconvened on Monday.

He said three main differences between the two programmes centred on price reform, and the timing and sequence of market-oriented moves. The working group headed by Prof Shatalin, favours sweeping privatisation and backs private property.

Analysis, Page 6

France urges tougher EC stand against US aerospace subsidies

By Paul Betts, Aerospace Correspondent, in Farnborough

FRANCE is increasing pressure on its European Community partners to harden the EC's stance in the forthcoming trade negotiations with the US on government subsidies and support for the aerospace industry.

Mr Henri Martre, chairman of Aérospatiale and president of Groupement des Industries Françaises Aéronautiques et Spatiales (Gifas), the French aerospace industry organisation, said yesterday that US Government support for its aerospace industry distorted free and fair trade far more than government support for European aerospace companies.

Mr Martre's comments reflect a sharp intensification in the long-running EC-US controversy about subsidies for the aerospace industry as the two sides seek to negotiate a compromise before the end of the year.

French aerospace officials warned that the EC's position in the negotiations risked being undermined if European countries did not prepare a comprehensive case to defend European interests.

The US believes France is in a particularly difficult position because most of its industry is under state control.

Mr Martre said the US aerospace industry received at least three times as much overall government support as the European industry. The low US dollar exchange rate provided a further "considerable distortion" to fair and free trade and US companies had better access to the European defence market than European companies had in the US military market.

"As long as the US has a preference for US products, we should have a preference for European products in Europe," he said.

He called for increased European aerospace co-operation and said he would like to see the UK take a more active role in the European space programme.

Although attacking the US government's trade policies, he said he wanted more co-operation between US and European companies.

Mr Martre's criticism of the US trade position follows an earlier attack on US trade policies by Mr Jean Pierson, chairman of Airbus Industrie, the four-nation European aircraft manufacturing consortium.

Mr Pierson said the US was currently deliberately manipulating the dollar exchange rate to hurt European companies such as Airbus Industrie.

The US has long complained that European aerospace companies are unfairly subsidised by direct government support.

In turn, the Europeans have argued that the US industry, which is 2½ times the size of the European industry, receives considerable government support from government contracts and research and development funding.

Mr Martre said the US accounted for 65 per cent of the free world market in aerospace products, while Europe accounted for about 25 per cent.

Quarrel breaks out over fighter jet; Sikorsky grants licence, Page 10

CONTENTS

Aylwin tries to close a chapter on Chile's turbulent past

The decision of Chilean president Patricio Aylwin (left) to rebury Marxist former president Salvador Allende in a special mausoleum after a state funeral has opened more wounds than it has healed
Page 5

MARKETS

STERLING
New York lunchtime:
$1.876
London:
$1.877 (1.873)
DM2.9725 (2.9675)
FFr9.9625 (9.945)
SFr2.4725 (2.465)
Y269.5 (268.75)
£ index 94.5 (94.3)

GOLD
New York: Comex Dec
$390.5
London:
$382.25 (387.0)

N SEA OIL (Argus)
Brent 15-day Oct
$29.075 (29.1)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.58375
FFr5.3065
SFr1.3175
Y143.45
London:
DM1.5835 (1.5845)
FFr5.3075 (5.31)
SFr1.317 (1.316)
Y143.6 (143.5)
$ index 63.8 (63.7)
Tokyo close: Y144.05

US lunchtime rates
Fed Funds $8\frac{1}{8}$
3-mo Treasury Bills:
yield: 7.63%
Long Bond:
$97\frac{5}{32}$
yield: 9.02%

STOCK INDICES
FT-SE 100:
2,148.0 (−18.6)
FT Ordinary:
1,670.9 (−16.5)
FT-A All-Share:
1,043.83 (−0.8%)
New York lunchtime:
DJ Ind. Av.
2,585.15 (−29.21)
S&P Comp
319.66 (−2.9)
Tokyo: Nikkei
24,907.64 (−512.79)

LONDON MONEY
3-month interbank close:
$14\frac{15}{16}$-$14\frac{29}{32}$% ($14\frac{15}{16}$)
Liffe long gilt future:
$83\frac{7}{16}$ ($82\frac{25}{32}$)

Cheney denies Saudi veto over US action

By Lionel Barber in Washington

SAUDI ARABIA does not have a veto over the use of US force against Iraq, Mr Richard Cheney, the US Defence Secretary, said yesterday.

Moving quickly to scotch reports of disputes about the command and control of US forces in the Arabian peninsula, Mr Cheney said he was satisfied with current arrangements under which the US and the Saudis would consult each other before launching offensive military operations.

But when asked if the Saudis would have to approve such operations, Mr Cheney said: "I will leave it simply at consultation". The US-Saudi understanding "recognises our inherent right to self-defence," he added.

Last week, Lt-Gen Khalid bin Sultan, the top Saudi commander, said any decision to use US force for offensive operations would have to be preceded by consultations between President George Bush and King Fahd.

The Washington Post reported yesterday that Gen Norman Schwarzkopf, the senior US commander in Saudi Arabia, had complained vigorously about the prince's remarks to the Pentagon and White House. Apparently, he was concerned about constraints on future US action.

Gen Schwarzkopf's protest forced President Bush to call Prince Bandar Bin Sultan, the Saudi ambassador, to the White House in an effort to seek clarification. The Saudis are said to have repeated that any offensive strike against Iraq from Saudi bases would require the king's approval.

Some US officials believe Gen Schwarzkopf ("If the Iraqis are dumb enough to attack at this time, they will pay a terrible price") over-reacted to the prince's remarks, which reflect legitimate Saudi sensitivities about sovereignty and the public deployment of US forces.

The dispute also revives an issue which the Administration hoped would remain in the background: the circumstances in which the US would resort to offensive action. During his breakfast TV "blitz", Mr Cheney stressed yesterday that the US mission was to "deter and defend".

He dropped hints, too, that the US was thinking about a long-term military presence in Saudi Arabia, beyond the present crisis. "The commitment is a significant one, and it's going to require a significant presence for some time to come."

Mr Cheney also confirmed that Gulf states, including Bahrain, Qatar, Oman and the United Arab Emirates, had agreed to allow the US to deploy combat aircraft. This rare degree of access underlines how the US commitment to defend Saudi Arabia has in effect extended to the Gulf states.

The advantage in using Gulf airfields is that it disperses US assets, binds the states in a collective effort, and relieves jammed Saudi bases.

Woman soldier Linda Hawkes of the US Army 18th Corp feeling the heat of a Saudi airbase yesterday

Shevardnadze urges Middle East peace conference

By Leyla Boulton in Moscow

MR Eduard Shevardnadze, Soviet Foreign Minister, yesterday signalled that Moscow is pulling out all diplomatic stops ahead of this weekend's US-Soviet summit in Helsinki, in an attempt to avert war in the Gulf.

He called for an international Middle East peace conference to help defuse the conflict.

Diplomats say President George Bush will seek President Mikhail Gorbachev's endorsement of direct US military action against Iraq when the two leaders meet on Sunday. However, while the Soviet president has condemned Iraq's invasion of Kuwait as "treachery", he has repeatedly called for a peaceful settlement.

President Gorbachev's spokesman denied the Soviet leader would seek to link the Gulf crisis to a regional conference when he meets President Bush. Mr Shevardnadze's renewed call for such a conference, on the eve of the summit, suggests Moscow is still trying to find an honourable way for President Saddam Hussein to get out of Kuwait.

The Soviet Union has been calling for a Middle East peace conference for more than a decade.

But the US, which rejected Mr Saddam's offer last month to withdraw from Kuwait if Israel pulled out of occupied Arab territory, is unlikely to look kindly on any Soviet attempt to link the two issues.

Israel has rejected proposals for a regional peace conference, seeking separate agreements with neighbouring Syria and Jordan and excluding any role for the Palestine Liberation Organisation.

Mr Shevardnadze suggested Moscow would reward moves towards a peace conference by restoring diplomatic ties with Israel. "The Soviet Union would not leave without response an Israeli move along these lines and might take a fresh look at the issue of Soviet-Israeli relations," he said.

The Soviet leadership – particularly the military – has voiced growing concern at the possibility of war breaking out close to home.

Mr Shevardnadze said other peaceful solutions to the Gulf crisis could include the replacement of Iraqi troops in Kuwait by UN forces, together with an "inter-Arab contingent".

But he believed international sanctions would ultimately force Iraq to withdraw. "Moves towards a peaceful solution should in no way imply the aggressor has nothing to fear, for it runs the risk of finding itself totally isolated from the rest of the world," the Foreign Minister said.

"We are sure sanctions will work and force the Iraqi leadership to heed the voice of reason."

US costs could hit $50bn, says Nunn

By Lionel Barber in Washington

TOTAL cost of the US military operation in Saudi Arabia, coupled with economic aid to the front-line states, could reach $50bn (£26.7bn) in the next 12 months, Senator Sam Nunn, the influential US Democrat, said yesterday.

Mr Nunn's estimate is double the working sums talked about by Bush Administration officials last week, assuming no war in the Gulf. The huge cost explains the urgency behind US requests to allies in Europe and Asia for more "burden-sharing".

Mr Nicholas Brady, US Treasury Secretary, yesterday set out on a mission to solicit financial assistance, with planned stops in Paris, London, Seoul and Tokyo.

Mr Nunn, who heads the Senate Armed Services committee, called Japan's pledge of $1bn to support the Gulf operation "absolutely ridiculous", and said Tokyo should be considering "at least $5bn-$10bn." The Germans should also provide a substantial sum.

The comments by Senator Nunn, one of the more soberminded Senators, underlines frustration on Capitol Hill with rich oil-dependent countries such as Japan and West Germany.

Lawmakers recognise the two countries' constitutional restrictions on deploying military force overseas, but they want them to shoulder the burden of compensating front-line states such as Egypt, Turkey, Jordan and others hurt by the Gulf crisis.

Echoing comments by other lawmakers, Mr Nunn said it was time for the Saudi Arabians "to make it abundantly clear" to the Egyptians and Syrians that Riyadh wanted some of their heavy forces such as tanks to bolster the US military presence.

NEWS IN BRIEF

Iraq starts work on $30m water pipeline

Iraq, seeking to consolidate its presence in Kuwait, has started building a water pipeline linking the Shatt al-Arab waterway with a border strip it annexed to the Iraqi province of Basra last week, Andrew Gowers writes.

The pipeline project, which the Iraqi News Agency said would be completed in 25 days at a cost of more than $30m, (£16m) had long been the subject of discussions between Iraq and the now-deposed Kuwaiti Government – often in tandem with the smouldering border dispute between the two countries.

That the idea has now been revived is interesting because of where the pipeline is expected to stop: in the border strip itself rather than deeper inside Kuwaiti territory.

This coupled with the decision to separate the border strip from the rest of Kuwait when naming the latter Iraq's 19th province last week, suggests President Saddam Hussein may be preparing a fall-back position if he is forced to relinquish Kuwait.

There have been persistent suggestions he might be prepared to pull out of the bulk of Kuwaiti territory on certain conditions – including an assurance that he would be allowed to hang on to the border strip, which he has named Saddamiyat al-Mitlaa, after himself, and the strategically-placed Bubiyan Island.

Rocard prompts speed protests

Mr Michel Rocard, the French Prime Minister, has sparked a chorus of protests from motoring organisations by announcing that it is studying a possible cut in the speed limit to save oil, William Dawkins reports from Paris.

Mr Rocard, who floated the idea as the main part of package of possible measures to save energy in the face of the Gulf crisis, estimates it could "reduce our oil bill by several billion francs as well as save human lives".

This has received a cool reception from - among many others - Mr Michel Delebarre, the Transport Minister, who maintains that this will only displease drivers and that it would be better to enforce existing speed limits. This could save 700,000 tonnes petroleum equivalent per year, 3 per cent of French cars' fuel consumption, estimates the AFME energy control agency.

Asian car-owners back to Basra

Thousands of Asian refugees, ordered to obtain new Iraqi number-plates, were streaming back in their cars towards Basra, 1,200 km away from the Turkish-Iraqi border gate at Habur yesterday, Jim Bodgener reports. Many had been waiting to cross for 10 days.

Some simply abandoned their vehicles and walked across the frontier bridge over the Hezil river to freedom.

Sudan says it has no Scuds

Sudanese President Omar Hassan Ahmed Al-Bashir yesterday denied that Iraq had deployed troops and Scud missiles in Sudan ahead of its invasion of Kuwait, Reuter reports from Paris. "There is not a single Iraqi soldier, nor a piece of Iraqi weaponry on Sudanese territory," Mr Bashir, said in Paris.

Sudan has criticised the US military build-up in the Gulf and remained largely sympathetic to Iraq.

Sudanese officers serving in the Gulf have been quoted as saying Iraq deployed around 7,000 soldiers and installed Scud missiles along Sudan's eastern seaboard facing Saudi Arabia across the Red Sea.

Qatar expels Palestinians

Qatar has expelled scores of Palestinians including prominent members of the Palestine Liberation Organisation in retaliation for the group's support of Iraq in the Gulf crisis, Gulf-based PLO officials said yesterday, Reuter reports from Nicosia.

Iraqis detain more Britons in Kuwait

By John Mason

A FURTHER 18 Britons, all presumed to be men, have been detained by the Iraqi authorities in Kuwait, the Foreign Office in London said yesterday.

All had been taken to unspecified civilian installations but were believed to be well, an official said. This brings to 40 the total number of Britons detained in Kuwait, along with seven held in Iraq.

After yesterday's departure of a road convoy carrying 306 British women and children to Baghdad, it is thought that fewer than 2,000 Britons remain in Kuwait. The Foreign Office said further convoys could be arranged if they were wanted, but it was clear some people had decided to remain in Kuwait.

Another 40 British women and children were expected to arrive in Amman last night on a US-chartered Iraqi Airways flight from Baghdad.

A further 11 Britons, nine women and two children, were in a 35-strong group which left Kuwait in a bus for the Iraqi capital shortly after the main convoy. Irish, Australian and Canadian women and children were also on board.

The arrival in Baghdad of the main convoy was expected late last night, although there were no immediate reports of its progress.

British embassy officials in Iraq were preparing to meet the refugees and help them obtain the exit visas needed to travel on to Jordan or London.

The convoy was expected to arrive in Baghdad under Iraqi supervision, but British Embassy officials were hoping to meet the refugees on the outskirts of the city and take them to hotels.

The Foreign Office said efforts would be made to enable them to leave Iraq as soon as possible.

However, Mr Harold Walker, British Ambassador in Baghdad, said the task of obtaining exit visas meant it would probably be tomorrow before they could leave,

The departure of the convoy was welcomed by Mr Andrew Charles, a co-ordinator with the hostage families' support group in London, but he expressed concern for those remaining in Kuwait.

FRANCE CONSIDERING HUMANITARIAN AID FOR IRAQIS

THE French Foreign Ministry said yesterday the government was looking at the question of urgent food and medical aid for Iraq, Ian Davidson writes.

The statement followed the call by Mr Tariq Aziz, the Iraqi Foreign Minister, on Monday, that countries which had many citizens in Iraq, should provide food in order to meet their needs. But a French spokesman later appeared to back-pedal on the ministry statement, by insisting that nothing concrete had been decided, and that the question was being studied with France's partners and international organisations.

The controversy began when Mr Roland Dumas, the Foreign Minister, said on television that the question of urgent humanitarian food aid had been posed, and that: "I have given a positive reply."

However, the Foreign Ministry spokesman later softened the sense of Mr Dumas' remark, by saying that the minister had only taken a decision "of principle".

The ministry stressed that UN Security Council Resolution 661 explicitly excluded urgent humanitarian food and medical aid from the application of the embargo. What remained to be settled was whether current circumstances constituted "urgent and humanitarian" justifications for food and medical aid.

Mr Dumas later said that it was the task of the UN Sanctions Committee to settle such a question.

European-US military to discuss embargo

By Ian Davidson in Paris

EUROPEAN and American military commanders in the Gulf are to hold a special co-ordination meeting this weekend to tighten their co-operation in implementing the embargo against Iraq, the French Foreign Ministry announced yesterday.

The announcement reinforces the growing impression in western Europe that the Gulf crisis may be moving rapidly towards a new phase of military escalation. On Monday evening Mr Roland Dumas, the French Foreign Minister, gave a clear warning of the imminent danger of an outbreak of hostilities.

He said: "In a few days we shall no longer be in any doubt. Today, there is a chance for finding a peaceful solution; but perhaps it will no longer exist in a few days". The coincidence in the timing of the European-American naval co-ordination meeting, and the superpower summit which takes place the same day in Helsinki, points to the probability, or at least to a wide-spread expectation, that preparations are under way for the taking of major decisions.

The decision to hold the European-American meeting follows an agreement at the end of last week between the governments of the main West European countries on steps to co-ordinate their military operations in the Gulf, in the framework of the nine-nation Western European Union (WEU) defence grouping.

The WEU agreement, which was negotiated primarily at the insistence of Italy, Spain and the Netherlands, represents a significant step forward in the strengthening of defence co-operation in Western Europe. Italy and Spain in particular made clear that they would only make a naval contribution to the embargo if it was covered by the WEU umbrella.

A communiqué issued after Friday's WEU meeting said that the governments had agreed "joint specific guidelines" covering "the scale of deployments, areas of operations, execution of the mission, exchange of information, logistic support, and co-ordination structures".

On the hyper-sensitive issue of use of force in implementing the embargo, it is reported that the nine made significant progress in harmonising their positions, though the rules of engagement will remain a national responsibility, and will be confidential.

At the latest count, the nine WEU nations have 34 ships in the Gulf, and this total is expected to rise to 35 by the end of this month.

The European-American co-ordination meeting in Bahrain is being held at American suggestion, and will be conducted under the joint chairmanship of the US and France, which currently holds the chairmanship of WEU.

Oil consumption expected to be hit soon

By Steven Butler

OIL consumption in the industrialised countries is expected to be hit in the fourth quarter as a result of higher energy prices caused by the Gulf crisis and lower economic growth, the Paris-based International Energy Agency (IEA) said in its monthly oil market report yesterday.

The expected fall in consumption amounts to 500,000 barrels a day compared to the fourth quarter of last year, and could help relieve pressure on oil supplies, which have been reduced by about 4.3m barrels a day (b/d) because of the blockade of Iraqi and Kuwaiti exports.

WORLD OIL SUPPLY (mbd)
(Crude oil NGLs and non-conventional sources)

	June	July	August
United States	8.6	8.7	8.6
Canada	1.8	1.9	1.9
North Sea	3.9	3.5	3.5
Other OECD	1.1	1.1	1.1
Developing Countries	9.8	9.8	9.9
CPE* Net Exports	1.8	1.8	1.8
OPEC Crude Oil	23.2	23.2	19.7
OPEC NGLS★	1.9	1.9	1.8
Processing Gains	1.3	1.3	1.3
Total Supply§§	54.1	53.2	49.5

* Central Planned Economies★ Natural Gas Liquids§§
Totals may not add due to rounding
Source: International Energy Agency - Monthly Oil Market Report End-August 1990

The IEA described oil markets as "generally well supplied", and said the small shortfall in oil deliveries in late August was made up by the use of commercial stocks. It expects use of commercial stocks, plus increased production from other members of the Organisation of Petroleum Exporting Countries, to keep markets well supplied through October.

But the report warns that "the market could become increasingly tighter during the winter months. This will come at a time when demand is seasonally highest as the ability for significant commercial stockdraw gradually diminishes. Severe cold weather and extended refinery operations by industry at full capacity could also further increase market tightness."

Heavier crude oil coming on the market to replace Iraqi and Kuwaiti crudes would reduce refinery flexibility and lead to production of chemically heavier refined products, such as heavy fuel oil, which are less in demand.

The biggest decline in consumption, at 2.5 per cent, is expected in the US, while European consumption is projected to fall by 1 per cent. In the Far East, consumption by industrialised countries will rise by 200,000 b/d, or 2.5 per cent, while developing countries are expected to increase consumption by ½m b/d, or 3.5 per cent.

Sluggish demand is expected to continue into 1991, with a slight decline projected for the first half of the year, assuming current oil prices and stable exchange rates. The IEA said it was still too early to assess the impact of the crisis on exports from the Soviet Union. But it suggested Moscow might direct more of its exports to eastern Europe to make up for the cut-off of Iraqi crude oil.

TDG expected to cease trading soon

By Charles Leadbeater, Industrial Editor

THE Technology and Development Group, the Iraqi-owned company based in London which has been at the centre of allegations that British companies have supplied Iraq with military technology, is likely to cease trading soon, according to Government officials.

Mr Gordon Brown, Labour's trade and industry spokesman, this week called on the Government to investigate TDG after allegations that it was at the centre of a web of companies used to supply Iraq with sensitive technology. The BBC television programme Panorama on Monday alleged that British companies linked to TDG had supplied Iraq with equipment which was being used in defence factories.

However, the weight of United Nations sanctions which prevents Iraqi-owned companies from trading internationally is expected to force TDG out of business.

Managers at Matrix Churchill, the Coventry based machine tool company in which a TDG subsidiary has a 60 per cent stake, are exploring alternatives to buy out the Iraqi stake. TDG also has stakes in companies in Switzerland, West Germany and the US.

Matrix Churchill has been hit hard by sanctions. About a fifth of its turnover comes from exports to Iraq. Since the imposition of sanctions it has had to lay off 30 workers.

The Department of Trade and Industry said it had continued to receive inquiries from food processing and medical equipment companies seeking to export to Iraq despite the sanctions. The DTI will next issue guidelines to companies which will highlight the maximum penalties for breaking sanctions, a two-year prison term and an unlimited fine.

British premier will seek to keep military options open

By Philip Stephens, Political Editor

WHEN members of the British Parliament gather at Westminster tomorrow for a rare crisis session devoted to the Gulf conflict, Mrs Margaret Thatcher's Government will have two central objectives.

The first is to preserve the remarkable degree of consensus across the political spectrum on the measures it has taken so far to thwart the ambitions of President Saddam Hussein.

The second, more difficult but perhaps more important, is to keep open the Government's options for further, possibly military, action against the Iraqi leader.

There is already an air of dramatic expectancy. The last such parliamentary occasion followed Argentina's invasion of the Falkland Islands in 1982 and provided the backdrop for the despatch of a task force to retake the islands.

But if some of the more bellicose among the country's MPs are happy to draw a parallel, Mrs Thatcher and her ministers appreciate that the issues this time are altogether more complicated.

Maintaining the existing consensus should not prove difficult. It was Mr Neil Kinnock, the Labour leader, who requested the return of the House of Commons from its summer recess to discuss the crisis.

His objective, however, was not to undermine the Government but to indicate his belief that a month after the Iraqi invasion of Kuwait, it was time for a broad political assessment of the outlook.

Mr Kinnock, who has spent the past few years struggling to bury his party's reputation for left-wing extremism, has been careful to adopt a bipartisan approach.

With opinion polls showing overwhelming support both for sanctions against Iraq and for active participation in the multinational force, he has nothing to win, and much to lose, by opposing Mrs Thatcher.

If Labour has retained much of its lead over the Conservatives in the opinion polls, those same surveys show that Mrs Thatcher's personal standing has risen sharply. The British electorate likes strong leaders, and the next general election is only a year or 18 months away.

There has been muted criticism of Mrs Thatcher's tone, concern voiced about the hostages, and murmurings about the dangers of being caught on Washington's coat-tails, but nothing to suggest to voters that Labour too, is not in the business of standing up to tyrants.

There will be some discordant voices in the debate. Mr Tony Benn, the left-wing Labour MP, has articulated the concern of a significant minority about the extent of the build-up of US forces in the region.

Mrs Thatcher's supporters will be keen to exploit the differences to claim that, despite Mr Kinnock's statements, Labour could not be trusted with Britain's defence.

But it is on the question of what happens next, that the debate will provide a glimpse of the potential breakdown of the present consensus among political leaders.

Mrs Thatcher has made it clear that while rigorous enforcement of UN-backed sanctions are the prime instrument of Western policy, she is keeping open the option of a military strike against Iraq. Earlier this week, she implied that such action could be justified under Article 51 of the UN Charter, though she added that sanctions should be given months rather than weeks to work.

The main opposition parties insist any further action must be taken through the same UN procedures which have crafted the present international consensus.

Both Mrs Thatcher and Mr Douglas Hurd, UK Foreign Secretary, are anxious to avoid war. Whitehall insiders dismiss speculation that a moderate Mr Hurd is trying to restrain a bellicose Prime Minister bent on a "surgical strike" against Iraq.

The opinion polls are far more ambiguous about full-scale war, particularly following the move of UK hostages to strategic locations in Iraq. That said, Mrs Thatcher would find it difficult to withhold support if President Bush decided a surprise attack offered the only viable hope of dislodging President Saddam from Kuwait.

It is that option which opposition leaders will seek to close. Mr Paddy Ashdown, Leader of the Liberal Democrats, has consistently pressed Mrs Thatcher to agree that Britain would not take part in offensive action unless it was agreed in advance by the United Nations Security Council.

Mr Kinnock yesterday echoed that sentiment, with his comment that if Iraq was to be deprived of all its spoils and a lasting stability returned to the Gulf, then it was essential the rest of the world acted with the authority of the UN.

If Mrs Thatcher can expect tomorrow warm and vigorous support for her handling of the crisis, Britain's opposition parties are not yet at least prepared to write a blank cheque.

Mr Neil Kinnock, Britain's Labour Party leader, yesterday called for all action taken against Saddam Hussein to be with the authority of the United Nations, John Gapper writes. That was the only way to ensure a lasting stability in the region, he said.

Mr Kinnock told the Trades Union Congress in Blackpool that "unrelenting pressure must be sustained under the terms of the UN resolutions," and any force should also have the authority of the United Nations.

In his first major speech on the Gulf crisis, Mr Kinnock said "a terrible lesson" had been taught by Saddam's action. This was, that "those who ruthlessly gain and use absolute power in their own lands will not just tyrannise their own countries".

In an age of "sophisticated and devastating weapons, it is more necessary than ever for the international community to work together to ensure that such regimes are denied the means of...aggression against others," he declared.

It was "plainly right to respond with full UN sanctions and with the UN blockade" and also right to respond with the rapid commitment of multinational forces to deter aggression against Saudi Arabia, Mr Kinnock told the conference.

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CRISIS IN THE GULF

Douglas Hurd, UK Foreign Secretary, with Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait

Exiled ministers tell of resistance in Kuwait

By Ralph Atkins in Jeddah

RESISTANCE, civil disobedience and demonstrations against Saddam Hussein are continuing in Kuwait, defiant Kuwaiti ministers in exile in Saudi Arabia said yesterday, as they outlined the brutality of invading Iraqi forces.

In Taif, the Saudi mountain resort, they said they were in contact with the resistance, and denied fighting independently. "We will hear more of that kind of talk because it is part of the propaganda to separate us from the resistance," Mr Yahya al-Sumait, Minister for Housing, said. He refused to detail what action was taking place, in order to "protect our people and our resistance".

The 22 ministers are meeting daily at the Sheraton Hotel in Taif. In public at least, they are prepared to go to war if necessary.

Sheikh Sabah al Almed al-Sabah, Kuwaiti Foreign Minister, said: "We all are seeking peace. We are working for it. But we, as an occupied country, would like to see our country liberated, even if that means military action."

Earlier, the Housing Minister said: "From the history of the United Nations, from the date of its inception until today, their resolutions are for most of the time on paper. Implementation has to be forceful, and to be forceful you have to use force."

He was speaking after a meeting between Mr Douglas Hurd, the British Foreign Secretary, who is on a six-day tour of Gulf states, and the Emir of Kuwait, Sheikh Jaber. "We have much admired the quiet dignity with which they have faced this time," Mr Hurd said. "There is no question of Saddam Hussein being able to continue in Kuwait or to leave Kuwait with a satisfied smile on his face".

The Kuwaitis appear to have recognised the propaganda value of telling their own stories of the Iraqi invasion and subsequent events. "Kuwait has been occupied by a brutal army and so many things were stolen, so many things were ruined," said Fahed Abdulla al-Hassawe, Minister for Municipal Affairs.

The ministers told how, from the first day of the invasion, Kuwaiti doctors were not allowed to enter hospitals, and how X-ray machines, other medical equipment and drugs, were taken. Kuwaiti patients, including children in intensive care, were forced out of hospitals, having to be treated in health centres or even mosques.

"Soldiers were shooting at ambulance cars," said Dr Abdul Wahab al-Fowzan, Minister for Public Health. "And the patients, they were shooting them all the time."

About 1,000 people were killed as a result of the invasion, ministers estimate, with a ratio of three Iraqi dead to every Kuwaiti. Subsequently, at a demonstration, three women were shot by Iraqis.

Kuwaiti officials are still running electricity, water and oil production utilities. Other services have been extended to include helping people find food and medical aid. The Kuwait government in exile says it remains in contact with people left behind.

Each cabinet minister has his own tale of escape. The Emir left around 5am on the morning of the invasion, driving south as troops surrounded the Dasman Palace.

The Minister for Municipal Affairs said he had been called at 6.30am and had driven to his beach house where he had made contact with other ministers. "Before leaving Kuwait, we phoned some distinguished Kuwaitis still inside to ask if it was advisable to leave or stay. We were told it was unsafe and unwise to stay in Kuwait."

At about midnight, he crossed into Saudi Arabia.

Divided Arab body heads for greatest crisis

Next week's meeting could be one storm too many for the Arab League, says Tony Walker

WHEN Arab Foreign Ministers meet in Cairo early next week they are likely to take a fateful decision that seems certain to further divide the already badly splintered Arab family.

Led by Egypt, Saudi Arabia, Syria and Morocco, the League is almost certain to endorse a decision taken earlier this year to move the Arab League General Secretariat back to Cairo after an 11-year absence.

Monday's resignation of Mr Chedli Klibi, the League's Secretary-General, marked the end of an era in the affairs of the fractious body that has seen more crises and weathered more storms since its founding on March 22, 1945, than almost any other similar organisation.

Egyptian and Gulf officials were adamant yesterday that moves to relocate the Arab League in Cairo would go forward despite Iraq's bitter opposition. These officials point out that according to Article 10 of the League charter the "permanent seat of League of Arab states is established in Cairo."

Officials here are expressing no great surprise at Mr Klibi's departure. They had been privately critical of what they regarded as his rather limp efforts to defuse the Gulf crisis.

This dissatisfaction surfaced at an Arab League meeting in Cairo late last month at which the outgoing Secretary General was heavily criticised by both the Saudi and Syrian Foreign Ministers for not doing more to mobilise Arab opposition to the Iraqi takeover of Kuwait.

The 65-year-old Mr Klibi was, in any case, always regarded as something of a stop-gap Secretary General after he became, in 1979, the first non-Egyptian to hold the post following Egypt's suspension from the League in protest at its separate peace with Israel. The League's headquarters in Tunis on the fringes of the Arab world always had an air of impermanence.

Chedli Klibi (left) and his predecessor Mahmoud Riad

Mr Mahmoud Riad, a former Egyptian Foreign Minister, and Mr Klibi's predecessor, said yesterday that the Arab League was facing the gravest crisis in its history. But he added the only way to save the organisation was to bring it back to Cairo.

If it stayed in Tunis, it would be finished. For a start, none of the Gulf states, which have been providing about 50 per cent of its budget, would continue to support it and few of the moderates would probably even bother to attend meetings there, including the scheduled biannual gathering later in September.

Mr Riad, who served as Secretary General from 1972 until he resigned in 1979 after Egypt's peace with Israel, said the present crisis was the most serious in the League's history because in the past differences such as that over the Camp David accords had affected only one state. Now, it seemed the League was split between a thin majority of 12, led by Egypt, and Iraq with its supporters among the 21 members of the League.

"The Arab League means all the members," Mr Riad. "If states cannot enter a dialogue under one umbrella then practically speaking there is no Arab League."

For the moment, the senior Assistant Secretary General, Mr Assad al-Assad, a Lebanese, will act in Mr Klibi's place, but a name being mentioned as a possible permanent replacement is Mr Lakhdar al-Ibrahimi, a distinguished Algerian official, and one of the Arab world's leading diplomats.

Egyptian and Gulf officials acknowledge that in the present fraught circumstances the Arab League requires the services of a conciliator. Mr Ibrahimi, who is presently one of six Assistant Secretaries General of the League, has the credentials for such a task.

Efforts are being made to involve as many Arab states as possible in the September 10 meeting in Cairo. Officials are hoping that Maghreb states such as Algeria and Tunisia, which boycotted the meeting at the end of August, will send representatives, so serious is the present crisis. They note that the appointment of a new Secretary General requires the assent of two-thirds of the League's members.

Iraq, which had strongly supported the return of the General Secretariat to Cairo after Egypt's suspension from the Arab League was lifted last year, is now doing all it can to prevent such a step. In Baghdad, a senior Iraqi official accused Egypt of engineering Mr Klibi's resignation.

"They are trying to make it (the League) a rubber stamp for the Egyptian and Saudi governments," said Naji al-Hadithi, Iraq's Director of Information.

Threatened Saudi oil province given economic boost

By Lara Marlowe in Dhahran

ONE IRONY of the Gulf crisis is that it has stimulated industry and local business in the region most threatened by Iraqi aggression – Saudi Arabia's Eastern Province.

With 53 of Saudi Arabia's 58 oilfields, the petrochemical city of Jubail and a host of manufacturers and trading companies, the Eastern Province is the epicentre of the Saudi economy.

The government-owned Saudi Arabian Oil Company (Saudi Aramco) is the mainstay of the kingdom's wealth. If Aramco sneezes, the old adage goes, the whole country catches cold.

Now Aramco has increased its production by 2m barrels per day and is rapidly accelerating its 10-year expansion programme. Also Jubail's 15 petrochemical companies – all in their second or third phases of their own expansion programme – plan to double their capacity over the next 15 months.

"You might think construction in Jubail would stop because of the threat of war," one western businessman said. "But they are going ahead. They may even end up with some surplus capacity." Jubail-produced aromatics and methanol are in big demand on the world market. The Saudi Government owns majority shares in Jubail's 15 companies.

The Saudi government has sought western participation in the creation of the industrial cities of Jubail and Yanbu over the past decade. Royal Dutch Shell, Exxon, Mobil and Mitsubishi are a few of the companies which have invested.

British companies have not invested directly in Jubail but have done a lot of trade behind the scenes in, for example, pumps and valves. A 15-man energy industry council delegation is still scheduled to visit Jubail on a selling mission at the beginning of October.

Yanbu, on the Red Sea coast, would be less at risk in the event of war, but Jubail is home to a naval base and is only 120 miles from the Kuwaiti border. Although new investors have shown little interest since the beginning of the Gulf crisis, it does not seem to worry the Saudis. "If you have a goose laying golden eggs, you aren't eager to sell it," a western businessman said.

Over the past 12 months Aramco began opening new flow lines, installing new well heads, demothballing gas oil separating plant (GOSP) and injecting water into all the wells to bring oil to the surface. These measures will have to be stepped up if the company is to sustain and further increase its rate of nearly 7.4m barrels per day.

Five new light crude oil fields discovered over the past two years in the Central Province have yet to begin pumping and exploration continues.

In Dhahran, there are rumours that Aramco may reduce the price of Arabian heavy crude which it produces most easily. There is also talk of using the IPSA pipeline through Saudi Arabia – formerly used by Iraq – to pump Aramco oil, doubling pipeline capacity.

A number of western companies with franchise or joint venture operations here stand to benefit from the mini-boom. Colgate Palmolive of the US, for example, began producing everything from toothpaste to soap with the Saudia Olayan company this year. Olayan holds the Coca Cola licence and appears to have beat the Gossaibi company – the bottler of Pepsi Cola – to the US troops market. The Irish company Mastock's joint venture with al Marai provides the Eastern Province with milk, butter, cheese and yoghurt.

The situation is not without its problems. Up to one half of the Saudi labour force are expatriates and many have fled. Morning newspapers are filled with job offers.

AMERICAN NEWS

Bush's problems multiply amid budget deadlock

By Anthony Harris in Washington

PRESIDENT George Bush has returned from his much-criticised holiday in Maine to face a schedule which will leave him needing another.

He faces heavy and conflicting demands; to preserve international and domestic support for his effort to stare down President Saddam Hussein, to energise a bipartisan effort to resolve the federal budget crisis, and to lead a partisan campaign for the crucial November gubernatorial and congressional elections.

Meanwhile, there is a widening split in his own party on the fiscal problem.

His travel plans for the next 10 days include campaign visits to Kansas and Florida just before he flies to Helsinki for his summit meeting with Soviet President Mikhail Gorbachev on November 9, and further campaign trips to California and Colorado on his return.

His campaign speeches are likely to complicate the already deadlocked budget issue. Since nobody has believed for many months that the $64bn (£32.8bn) deficit target imposed by the Gramm-Rudman-Hollings law is remotely achievable, a solution must involve amendments to that law. This can only be passed with Democrat support.

It was this realisation which led Mr Bush to ditch his spring strategy of allowing the process to run into the buffers. This would have left his congressional opponents with the blame for the painful cuts prescribed under the law, should no agreement be reached.

Mr Bush tried to meet his opponents half way by conceding that higher taxes would have to be part of any solution which would get the deficit, now passing $200bn for the current fiscal year, back on a downward path. But since then, neither side in the budget summit – which is to hold its first hurried post-holiday meeting later this week – has been prepared to propose any specific taxes, for fear of the electoral fall-out.

The evasion was fiercely attacked this week by Senator Ernest Hollings, the Democratic sponsor of the deficit-reduction law.

"The summiteers can come to a deal," he wrote, "but the majorities in Congress will never go along unless the people know and understand the need for substantial taxes to get us out of this quagmire once and for all... Any summit deal will be dead on arrival without an energetic campaign by President Bush to educate Americans about the magnitude, cost and danger of our fiscal crisis."

New signs of a possible recession appear each day – a weak survey of industrial sentiment yesterday is only the latest – and most of the public believes a recession is coming.

This has already led congressional summit participants to trim their objective for deficit cuts to $30bn.However, the White House is sticking to the $50bn target.

George Bush: tried to meet opponents half way

Surprise fall in managers' index

THE purchasing managers' index, the most closely-followed indicator of US industrial sentiment, fell unexpectedly last month from its already weak July level, with disturbing hints of rising inflation, writes Anthony Harris.

The index fell to 47 per cent from 47.4 per cent in the previous month. Domestic orders were weak and there was a sharp fall in the growth rate of export orders. A 50 per cent reading shows an equal balance of rises and falls.

Mr Robert Bretz, chairman of the survey committee of the National Association of Purchasing Managers, said: "The production index declined for the first time since January 1990. New orders declined for the second consecutive month. New export orders continued to increase, although at the slowest pace since February."

He added that continued weakness in new orders suggested a further decline, unless purchasers artificially stimulated the economy by building inventories in petroleum-related commodities to assure availability and to delay expected price increases.

While the price increases are centred on oil, there is a risk that defensive pricing will spread in a weak market. "Purchasers expressed concern that in spite of no apparent shortages, suppliers will take advantage of future uncertainties by raising prices further," Mr Bretz said.

Such tactics may explain why the survey shows an unexpected slowdown in deliveries, despite weak orders in a well-supplied market.

Desert conflict clouds US poll prospects

Lionel Barber and **Peter Riddell** on the issues that will shape mid-term elections

PRESIDENT George Bush has not been spending all his time on the telephone managing the Gulf crisis. As he often says, "life goes on," which means that every two years – in peace and war – the Labor Day holiday (last Monday) ushers in the start of the electoral season.

Mr Bush knows, therefore, that the voters' choice in the mid-term elections on November 6 will not only reflect his handling of the Gulf but will also influence what he can achieve in the second half of his presidential term.

Mid-term elections are important and this year's have always been clouded by uncertainty, even before Iraq invaded Kuwait; the economy is teetering on the brink of recession, there is a budget stalemate and doubts have been raised about the president's domestic leadership.

They matter because one third of the Senate, the whole House of Representatives and the governorships of most of the nation's largest states – including California, New York, Florida, Texas and Illinois – are for the taking. The results will determine decisions about large areas of public expenditure taken at a state level as well as the political landscape for the early 1990s.

Democrats will be looking to safeguard their majority position in both houses of Congress, while the Republicans are seeking to translate their 20-year dominance of the White House into greater legislative power at state and national level.

The further twist this year is that the party which controls the governorship and legislature in an individual state will also have crucial influence in redrawing electoral boundaries to take account of last April's census. Unlike Britain, where boundary changes are decided by an independent commission, the process is incorrigibly partisan in the US. After all, the term gerrymander is based on the activities of one Elbridge Gerry in early 19th century Massachusetts.

This year there is a further shift of House seats from the north and east, which are losing population, to the expanding south and west. California, which stands to gain seven seats, will command an eighth of the House of Representatives. So control over the redrawing of the state's electoral boundaries could affect the fate of a large number of current and potential congressmen and Republican hopes of regaining control of the House, last held in the early 1950s

Local factors and personalities tend to predominate in mid-term elections. But the overwhelming advantage lies with incumbency, which carries with it the power of patronage and fund-raising. In recent elections more than 95 per cent of sitting members of the House have been re-elected.

Nevertheless, both parties continue to search for some commanding national issue to sell to the electorate. The Democrats have been looking to increasing signs of economic slowdown – there is already recession in the north-east – to win them seats as they did in the 1958 mid-term elections against Republican President Eisenhower. For a while the abortion issue looked promising, especially among women fearful of tighter controls being introduced by Republican state legislatures.

The Republicans have been hoping to benefit from President Bush's personal popularity, which remains high largely because of his foreign policy successes following the end of the Cold War, and from the continuing disarray of Democrats after their third successive presidential defeat in 1988.

However, neither party has been able to establish a clear-cut theme or direction. Both are suffering from varying degrees of identity crisis. The Democrats remain gripped by internal divisions over the role of government, which date back to the late 1960s. The Republican charge that the Democrats are the "tax and spend" party has still to be answered effectively.

For the first time in more than a decade, however, some Democrats glimpse an opening. President Bush's decision two months ago to drop his "no new taxes" pledge of his 1988 campaign may have been a well-intentioned effort to tackle the budget problem, but it has blurred the single most clear-cut division between the parties.

Also, the end of the Cold War and the decline of the Communist threat have removed some conventional Republican underpinnings. Nor are presidential coat-tails necessarily very long in mid-term elections; they were not for Mr Reagan at the height of his popularity and Mr Bush generates less enthusiasm among the faithful than his predecessor. The absence due to illness of Mr Lee Atwater, Mr Bush's ideological and ruthless campaign manager in 1988, may also hurt.

Into this void, one issue has blown up like a summer storm – the row over the collapse and rescue of the savings and loan industry. This is costing American taxpayers more than $50bn a year, dwarfing what is currently being spent on the Gulf crisis. Opinion polls show that voters are increasingly angry about the S&L mess; the problem is who to blame.

Both the Reagan White House and the Democrat-controlled Congress were responsible for the combination of higher deposit insurance and total deregulation which led to the reckless speculative boom of the 1980s and subsequent collapse. Additionally, an electoral system in which candidates are forced to raise millions of dollars from powerful interest groups, such as the S&L industry, can be blamed for the failure not to take action quickly enough.

Logically it is the Bush administration which is going to be held responsible, fairly or not, for the soaring estimate of the bail-out cost. The added personal embarrassment for President Bush is that his son Neil is implicated in a messy conflict of interest case in Colorado.

However, the implication of some well-known Democrat politicians in an equally dubious S&L affair makes it harder for the issue to be seen in strictly partisan terms.

The Gulf crisis, however, has swamped all this. The initial impact was to boost Mr Bush's personal popularity back to its peak of last winter, after the US's successful invasion of Panama. Yet that support is hedged with doubt about where Mr Bush's strategy is leading, how long US forces will have to stay on the ground in Saudi Arabia and the cost – in both human and financial terms – of a possible war. The national patience could be strained if a resolution still seems distant in the immediate run-up to the elections.

The sharp increase in oil prices has raised fears that an already weak US economy may slide into recession; consumer confidence fell sharply during August to a seven-year low. If further evidence emerges in the coming weeks of rising prices, higher unemployment and falling output, the public may ask whether this is a price worth paying for Mr Bush's internationalism.

A wild card in both parties' calculations is the talks due to resume this week between the administration and congressional leaders about how to reduce the federal budget deficit. More than 12 weeks of discussions broke down in an acrimonious stalemate just as the Iraqis were invading Kuwait, and nothing that has happened since has rendered an agreement easier to reach. No one wants to be blamed for potentially unpopular tax increases or cuts in social programmes just before an election, even if they are mandated by the Gramm-Rudman deficit reduction process.

How highly volatile national influences will interact with entirely local factors remains unclear. There may be no obvious national lessons to be drawn.

In California, for instance, the gubernatorial battle between former San Francisco Democrat Mayor Dianne Feinstein and Republican Senator Pete Wilson is turning on toughness over crime and attitudes on the environment rather than on the Gulf. Other races, in Texas and Florida, have so far been dominated by the alcoholism and drug dependency histories of leading candidates.

If the House is bound to remain in Democrat hands, more uncertainty centres on the Senate where Democrats hold a 55 to 45 majority.

The Republicans, with several strong candidates enjoying House experience, have been hoping for gains in states such as Hawaii, Illinois, Iowa and Rhode Island. This would give them a springboard for an assault in 1992 to recapture control of the Senate, which they lost in 1986.

However, if the Republicans fail to make any gains or the Democrats win the odd Republican seat in North Carolina, Kentucky or Colorado – all long-shots – then a grand sweep in 1992 looks more unlikely.

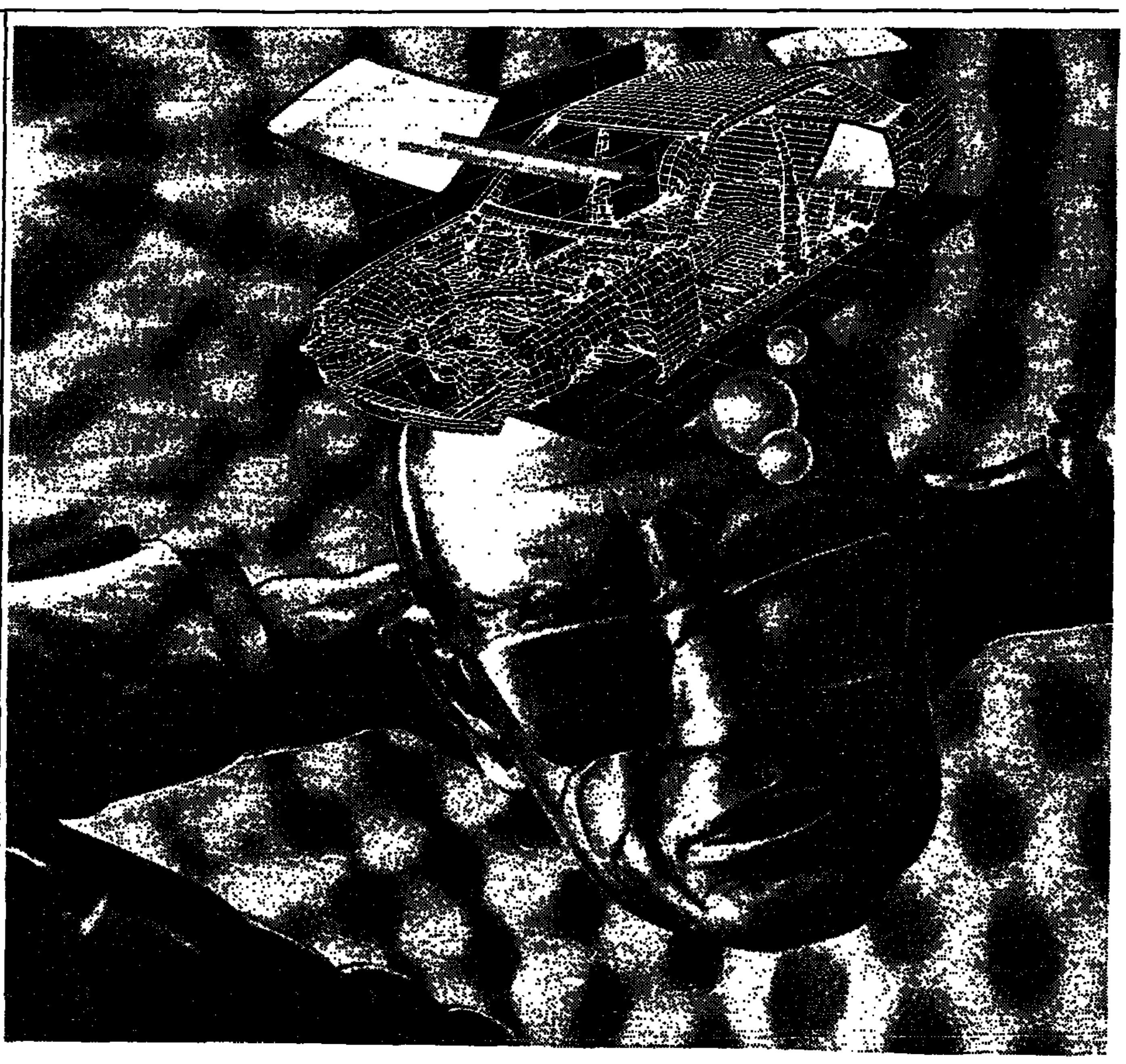
Of course Mr Bush could tip the balance, provided he can turn his appeal for national unity over an international crisis to party political advantage. But no one has done that in the US for a long time.

US LEGISLATIVE ELECTIONS

	SENATE			HOUSE OF REPRESENTATIVES		
Date	Dem	Rep	Other	Dem	Rep	Other
1946	45	*51		188	*246	1
1948	54	42		263	171	1
1950	48	47	1	234	199	2
1952	47	*48	1	213	*221	1
1954	48	47	1	232	203	†
1956	49	47		234	201	
1958	64	34		283	154	
1960	64	36		263	174	
1962	67	33		258	176	1
1964	68	32		295	140	
1966	64	36		248	187	
1968	58	42		243	192	
1970	54	44	2	255	180	
1972	56	42	2	243	192	
1974	61	37	2	291	144	
1976	61	38	1	292	143	
1978	58	41	1	277	158	
1980	46	*53	1	243	192	
1982	46	*54		269	166	
1984	47	*53		253	182	
1986	55	45		258	177	
1988	55	45		262	172	

*Periods of Republican Party Control
†2 Vacancies

Source: Congressional Quarterly Guide to US Elections



AMERICAN NEWS

Fifteen Chicago traders on trial after FBI probe

By Barbara Durr in Chicago

FIFTEEN yen futures traders and brokers go on trial today accused of cheating customers, the second case to stem from the Federal Bureau of Investigation's undercover probe of corruption at Chicago's two leading futures exchanges.

The probe at the Chicago Mercantile Exchange and the Chicago Board of Trade led to 48 indictments last year.

The indictment of the yen traders and brokers contains more than 375 counts of felonies. Six of the 15 men are accused of racketeering conspiracy.

If found guilty these defendants could face prison terms of up to 20 years as well as forfeiting any personal assets acquired with the proceeds of such a conspiracy.

The government is eager to win in this trial. In the earlier trial, which ended in July, the jury failed to return a verdict on most of the charges against a broker and two traders of Swiss francs.

Although the three will be retried on the deadlocked counts, the verdict suggested the government had overblown its case against corruption in the pits.

As in the first trial, the government's main evidence against the yen traders and brokers comes from the undercover FBI agent who posed as a trader and secretly recorded pit conversations. The evidence is so complicated that government prosecutors warn it could take three months just to present it.

Originally 21 yen traders and brokers were indicted, but since last year six have pleaded guilty and are expected to testify for the government.

Jury selection, which starts today, is difficult in such a complex case given that jurors must receive a crash course on futures trading. Selection is complicated by the trial's expected length.

Next week 12 soyabean traders accused of cheating customers will be tried. Although this will be the last of the three trials scheduled, the government says its investigation continues.

Chile secures $20m voluntary bank loan

By Stephen Fidler, Euromarkets Correspondent

CHILE has secured its first voluntary commercial bank credit since the debt crisis struck in 1982.

The loan, granted by NMB Bank of The Netherlands, is for $20m (£10.3m). It is more important as a symbol of Chile's moves towards rehabilitation in the international financial markets than as a contribution to its balance of payments requirements.

The loan, available from next month, will have an eight-year maturity, with a three-year grace period before principal repayments are due. It will carry an interest rate of 1 percentage point over inter-bank rates.

Chile, which may access the funds without restriction, will use the loan to help finance social programmes and the importing of capital goods towards this end.

Mr Alejandro Foxley, Finance Minister, called on other international banks to back their promises of support with similar action.

Chilean negotiators are expected to embark later this month on negotiations over the country's $5bn commercial bank debt. It faces foreign debt maturities of $1.8bn a year from 1991 to 1994, and there is debate within the government about whether to tackle this through a traditional rescheduling.

Chile is widely held out by international banks as an example of a country which has satisfactorily tackled its debt problem, having reduced its debt to commercial banks by almost two-thirds from a 1986 level of $14bn.

This was done mainly through debt-to-equity swaps.

Allende's reburial attempts to close turbulent chapter

By Leslie Crawford in Santiago

THOUSANDS of Chileans yesterday gave a posthumous tribute to the late socialist president Salvador Allende, who was reburied with full state honours after lying for 17 years in an anonymous grave.

Allende committed suicide on September 11 1973 as insurgent Chilean air force jets bombed the presidential palace in the heart of Santiago. The day after the military coup, General Augusto Pinochet's officers dumped Allende's corpse in a cemetery beside the sea. Not even his widow, Mrs Hortensia Bussi, was allowed to see his body before the clandestine burial.

Salvador Allende: bombed in presidential palace

Allende's family chose to hold the ceremony on September 4, the day of his election in 1970, rather than the day of his death three years later, to underline the former president's democratic credentials.

But his controversial figure continues to divide Chileans in death as it did in life. For the left, Allende remains a visionary leader and a man who died in his quest for a peaceful road to socialism. The right holds Allende responsible for the economic and social chaos of the Popular Unity years and blames him for destroying Chile's democracy.

The decision to rebury Allende is said to have been taken personally by President Patricio Aylwin soon after he took office in March. Mr Aylwin and his cabinet attended a funeral mass for Allende in Santiago's cathedral.

Mrs Bussi was given a standing ovation as she rose to lay some red carnations over her husband's coffin, which was draped in the Chilean flag. Later, at the cemetery across the River Mapocho where most of Chile's former presidents are buried, Mr Aylwin told those assembled that the symbolic ceremony was an act of reconciliation among Chileans which sought to redress an injustice.

"I was a political opponent of Salvador Allende," the 71-year-old Christian Democrat said above the jeers that could be heard outside the cemetery. "But I tell those who are jeering that the only language in which we can understand each other is the language of truth. And I am here to give my testimony of the truth."

All the speakers, including Mr Michel Rocard, the French Prime Minister, praised Allende as a leader who was prepared to die for his democratic and revolutionary ideals. Mr Aylwin said that paying homage to Allende was a way of restoring the dignity not only of a former president, but of the hundreds of victims of Gen Pinochet's repression who still lie in anonymous graves.

Allende's followers saw the ceremony as an opportunity to recover their leader's prestige, after 17 years in which he was portrayed as a communist who wanted to impose a Marxist state on Chile.

In a television interview on Monday night, Mrs Bussi said: "Salvador was never a Marxist-Leninist... he would be a social democrat today."

Asked whether she would have preferred her husband to have surrendered power and leave the burning palace, La Moneda, alive, she replied: "Never. What would Salvador have done in exile? He did the best he could do, which was to die in La Moneda." It is the closest she has come to admitting her husband committed suicide; Allende's family has always maintained he was murdered by the military regime.

Chile's conservative opposition parties, which include many former supporters of military rule, refused to take part in the ceremony. They accused President Aylwin's centre-left government of seeking to reopen old wounds.

Gen Pinochet, who remains commander-in-chief of the army, said last week the funeral was a political act and that the Armed Forces would not take part.

WORLD TRADE NEWS

Malaysia plans tariff reforms

MALAYSIA will introduce more attractive trade concessions and tariffs for foreign countries, Mrs Rafidah Aziz, the country's Trade and Industry Minister, said yesterday, AP reports from Kuala Kangsar.

She did not specify what concessions Malaysia would bring to the negotiating table. Details of the trade concession package and tariff reductions would be made known at the Asia-Pacific Economic Cooperation (Apec) conference in Vancouver, Canada, next week, Mrs Rafidah said.

At an Apec meeting in Singapore last month, all Asia Pacific members pledged to re-examine their positions in the Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade.

Mrs Rafidah, who will be attending the Vancouver meeting, said Apec will also discuss the agreement on trade related investment measures, trade related intellectual properties, and Gatt as a whole, all topics under discussion in the Round.

She said that efforts were also going to be made to attract small and medium-sized Japanese investors to come to Malaysia. Until now attention has largely focused on the big Japanese investors, she said.

Gatt sees way to breakthrough on dumping

By William Dullforce in Geneva

FRESH PROPOSALS on anti-dumping from Mr Charles Carlisle, deputy director-general of the General Agreement on Tariffs and Trade (Gatt), may have opened the way for agreement on one of the most critical issues in the Uruguay Round trade talks.

Most countries principally concerned in the quarrel over anti-dumping have, over the last two days, declared their readiness to negotiate an agreement on the basis of Mr Carlisle's second proposal for the revision of Gatt's current anti-dumping code.

His first draft, tabled in July, turned out to be an over-bold attempt to reconcile two opposing standpoints. It tightened the rules governments must follow when taking action against alleged dumping but also provided importing countries with scope for preventing exporters from circumventing anti-dumping duties by assembling in the importing country or in a third country.

The paper aroused deep passions and served mainly to highlight the bitterly contested divergences between exporting countries, such as Japan, Hong Kong and Singapore and the two major importers of industrial goods, the US and the EC.

Mr Carlisle's second draft, described as a stew rather than a pudding by a trade lawyer, is much less precise. It includes options and alternatives on several central issues in response to the criticism generated by his first paper.

In initial reactions, countries on both sides of the argument maintained their positions and objected to many of the ideas advanced. But, recognising that time was running out, nearly all delegations indicated a willingness to start serious negotiations.

The main exception was Singapore, speaking on behalf of the Association of South-East Asian Nations. It protested about the plethora of alternatives in brackets included in Mr Carlisle's text.

Gatt has charted a sharp increase in anti-dumping action by governments in recent years. It believes in many instances action has been taken purely to protect domestic industries in contravention of Gatt rules.

An exporter dumps when he sells a product on a foreign market at a price lower than on his home market.

The EC and the US claim that Japanese, Hong Kong, Korean and Asean companies use predatory pricing to capture market shares from domestic industries. The exporting countries charge Washington and Brussels with using arbitrary and Gatt-illegal methods in determining dumping and imposing punitive duties.

The options outlined in Mr Carlisle's draft illustrate the major points of conflict over the terms of a revised Gatt code.

Wide differences persist over the methods to determine whether dumping has taken place and the criteria for deciding whether injury has been caused to domestic industry. Some movement can be observed away from the use of artificially constructed values and such arbitrary criteria as the 8 per cent minimum profit margin applied by the US when assessing dumping.

Hong Kong is still adamant that no dumping charges should be imposed on exporters operating under import quotas in the importing countries, as is the case in textiles and clothing.

Strong opposition persists to an EC proposal, which would allow it to divide its single market into regions for the purpose of meeting the criterion that a major proportion of a domestic industry must suffer injury, when determining dumping.

A wide gap remains over US proposals for punishing recurrent dumpers and for making anti-dumping charges retroactive to the initiation of an investigation, particularly if a company is deemed guilty of multiple repeated instances of dumping.

The task for negotiators is to strike a balance between exporters' demands for fair and coherent rules in determining dumping and US and EC insistence the code must allow measures to prevent circumvention of anti-dumping duties by wily exporters.

Nissan to buy fuel pumps from Toyota affiliate

By Robert Thomson in Tokyo

NISSAN MOTOR will buy parts for its US-made vehicles from Nippondenso, a Toyota Motor affiliate, in a deal that the Japanese press has somewhat extravagantly hailed as the beginning of the end for the much-criticised corporate families known as *keiretsu*.

But the two carmakers said yesterday that there is nothing unusual about the deal, and Nissan officials indicated that the company has no plans to move outside its traditional network of trusted suppliers in Japan.

Nissan will buy electronically-controlled fuel injection pumps from a US joint venture between Nippondenso and Bosch, the West German company, which is due to begin production in July next year.

The carmaker presently buys the pumps from Bosch, and a company official explained that Bosch's pump production in the US will be transferred to the joint venture company so "it is only natural that we would continue to buy those pumps".

"We have been in the US for only 10 years, and so we have yet to establish the same sorts of traditional relationships that we have with suppliers in Japan. The situations in the US and Japan are very different," the Nissan official said.

US officials have targeted Japan's corporate families as a trade barrier because of their habit of keeping purchases in-house. The issue has also been highlighted by the stake taken in Koito Manufacturing, another Toyota affiliate, by the US investor Mr T. Boone Pickens, who has mounted a public campaign against *keiretsu*.

Toyota said that Nippondenso already supplies most other Japanese carmakers with parts, and while the new agreement will be the first with Nissan, "there is nothing unusual about the deal".

West German GNP rises by 3.9% in first half

WEST GERMAN gross national product grew by 3.9 per cent in the first half of the year, down slightly on the 4.6 per cent rise in the same period of 1989. But the Government remains confident that GNP will grow by 4 per cent for the year as a whole, the same as last year, writes David Goodhart in Bonn.

Slower growth in the second quarter of this year – 3.4 per cent compared with 4.5 per cent in the first quarter – is attributed to two fewer working days and to the fact that the summer holidays began earlier in some states this year.

Investment in plant rose by 7.1 per cent in the second quarter, and private consumption increased by 4.4 per cent, pushed up by the continuing effect of immigration into West Germany, higher pay and lower taxes.

Continued strong growth helped increase the number of people in employment by 2.3 per cent, or 646,000, in the second quarter.

The slow erosion of West Germany's huge trade surplus continued in the second quarter as imports rose by 5.3 per cent, while exports were up 2.3 per cent.

● The East German Building Minister, Mr Axel Viehweger, said yesterday at the Leipzig Trade Fair that private companies from several countries, including Switzerland, Austria and France, had expressed interest in building new motorways in East Germany to be financed by road tolls. The most popular route is Berlin to Munich.

● The West German state will end up as one of the greatest beneficiaries of the Second World War if, as laid down in the unity treaty, it inherits all the state-owned farm land nationalised between 1945 and 1949, according to the East German Association for Agriculture.

Bonn commissioners will run East Germany

By David Goodhart in Bonn

SPECIAL commissioners, receiving orders from Bonn, will take over the running of East Germany when the two German states become one on October 3.

But the administrative takeover has already run into difficulties because of the reluctance of West German officials, especially those with families, to move eastwards. This is a particularly acute problem in some ministries, like Defence, where a large number of westerners are required, and the quotas are only being filled with the promise of quick promotion prospects.

Mr Rudolf Seiters, Minister in the West German Chancellor's Office, said yesterday that West Germany was well-prepared for the takeover. Others are less confident. The influential magazine Stern is predicting administrative chaos on October 3, saying that the Bonn ministries will not be sufficiently ready to step into the breach.

Apart from the central government takeover, commissioners will also take charge of the five pre-war East German *Länder* (states) which will re-emerge after *Länder* elections on October 14.

The commissioners will become politically subordinate to the new *Länder* governments. But officials in Bonn reckon it will take at least a year to set up functioning state administrations (more like small national bureaucracies judging by the West German *Länder*) in a country which knew only central administration.

The financing of the new *Länder* was one of the most controversial aspects of the unity treaty signed last week. The West German states are reluctant to allow the East German *Länder* a comparable share of national sales tax before they are contributing fully to tax receipts.

Under the compromise agreed the East German *Länder* will receive, per inhabitant, 55 per cent of the average per capita contribution to sales tax. That will rise to 70 per cent by 1994. It was announced yesterday that local authorities, the next layer down in local government, will next year receive an income of about DM23bn (£7.6bn).

Unlike the central bureaucracy, the *Länder* will have no problem finding staff. Most of the 1.7m public servants in East Germany, who yesterday won a pay rise of at least DM200 (£66) per month, are set to lose their central government jobs. Even after the *Länder* have taken their pick from the proposed "clearing house" at least half a million are expected to remain without a job.

Meanwhile, changes are having to be made to the West German parliamentary chamber to accommodate 144 members of the East German Volkskammer selected to join the 519 members of the Bundestag in the run-up to the all-German election on December 2.

The arm-rests are having to be removed from chairs in the chamber to take the extra seats, and the City of Bonn is seeking temporary accommodation and office space for the new members.

Final round of '2 plus 4' talks begins

SENIOR CIVIL servants from East and West Germany and the four Second World War allies started their final round of talks yesterday on details of an agreement settling the status of a unified Germany, Reuter reports from East Berlin.

The talks at Niederschönhausen castle near East Berlin are scheduled to last until today and aim to prepare foreign ministers for a final round of the so-called "2 plus 4" negotiations next week in Moscow.

The agreement will confirm the borders of a unified Germany, establish its membership of Nato and remove allied troops (from the US, Soviet Union, Britain and France) from German soil.

The talks have still not resolved the withdrawal of Soviet forces from East Germany or when troops from the three western allies should leave West Berlin. Mr Stepan Sitaryan, Deputy Soviet Prime Minister, is due to meet West German ministers today and tomorrow for talks on the cost of the Soviet withdrawal.

The "2 plus 4" agreement is due to be signed in Moscow on September 12.

Austria sends extra troops to stem tide of immigrants

By Judy Dempsey, East European Correspondent

THE AUSTRIAN Government yesterday ordered 1,500 additional troops to guard its eastern borders following growing public concern about the continuing wave of immigrants from eastern Europe.

At the same time, it reintroduced visas for Poles, a move likely to provoke sharp criticism from Warsaw in view of the normally warm relations between the two countries.

The decisions, which coincide with the end of the summer holidays, reflect the growing political and domestic pressure facing Austria's Socialist-led coalition Government. Although Austria traditionally offered a safe haven for refugees fleeing eastern Europe, last year's revolutions put an end to political refugees and instead created an avalanche of economic ones, mainly from Romania and Poland.

"We simply do not have the capacity to deal with the influx. We will face a bigger problem once the Soviet Union passes an emigration law. Also many of these people are working in the black economy," a Foreign Ministry official said.

In recent months, the Interior Ministry has received hundreds of letters from Austrians demanding the immigrants be sent home. The ministry also confirmed an increase in the crime rate which, it says, may be related to the influx of impoverished east Europeans.

Such feelings were vividly expressed earlier this year when hundreds of Romanians, enjoying their first taste of travel since the overthrow of the Ceausescu regime last December, arrived in the country.

Many sought temporary political asylum on the grounds that the political situation in Romania remained uncertain. But when the Austrian authorities arranged to house 700 Romanian men temporarily in one village, angry demonstrators insisted they leave the country.

Since then, the Austrian authorities have reintroduced visas for the Romanians, partly to stem the flow of immigrants and curb the xenophobia. But the decision has political overtones as well. Fresh elections will be held in October when it is expected that the right-wing Freedom Party (FPOe), led by Mr Jörg Haider, will double his party's current 8 per cent share of the vote.

"The nationalist/anti-immigrant ticket could be subtly exploited by the FPOe," commented one Austrian journalist. "It is a trend which we will have to keep in check."

Chancellor Franz Vranitzky has been at pains to open up Austria's borders with all its eastern neighbours. The abolition of visas for Poles and Hungarians in 1988 was aimed at implementing this policy. But the strain imposed by immigrants who rush westwards to escape economic misery in Romania or Poland, or to earn quick money in the black economy, may dent Austria's open-border policy.

Greeks get 7.1% pay increase

By Kerin Hope in Athens

GREECE'S Economy Minister, Mr George Souflias, yesterday announced an index-linked wage increase of 7.1 per cent to cover anticipated inflation for the last four months of 1990.

It was the last such increase before the Conservative Government's decision to abolish index-linking for public sector workers in favour of collective wage bargaining comes into effect in January. But with trade unions demanding immediate pay rises of 10-13 per cent, the limited increase announced is likely to trigger a fresh round of strikes.

After an 8.3 per cent increase in January, the April increase was cancelled despite steep price rises for utilities and luxury items.

The Conservatives argued that a temporary freeze was necessary to increase revenues and reduce a huge public sector deficit which is forecast to reach 17 per cent of gross national product this year.

Mr Souflias said this month's wage increase did not include an extra 3 per cent rise in inflation caused by higher fuel prices following Iraq's invasion of Kuwait.

He said inflation this year would total 22.7 per cent, but ruled out any possibility that the Government would follow its past practice of granting an extra wage increase at the end of the year to make up the 7.3 per cent gap.

Hard day for UK's 'hard Ecu' plan

The EC's secretive Monetary Committee yesterday ended a day-long examination of the UK Government's plan for a "hard Ecu", with senior treasury and central bank officials generally declining comment, writes David Buchan in Brussels.

Mr Hans Tietmeyer, deputy Bundesbank president, gave the only indication that Britain had gained little ground in deflecting its EC partners from plans for a single currency run by a centralised institution. "There is no reason for the British to be especially happy today," he said.

Soviet Union 'sliding towards dictatorship'

THE MOSCOW city Communist Party chief warned yesterday that the Soviet Union was sliding towards chaos and dictatorship, Reuter reports.

Speaking at a meeting attended by President Mikhail Gorbachev, Mr Yuri Prokofiev said the national leadership was losing its grip on power as food and other shortages grew and ethnic conflicts flared.

"To rectify the situation ... we need not only time but the real ability to control events. This ability does not exist today on any level," he said.

"Now, the tangible danger has arisen that democratisation will become an episode in the history of the country on the path from the [Marxist] command-administrative system via chaos and disorder to dictatorship."

Mr Prokofiev was speaking at the opening of the second stage of the founding congress of the new Russian Republic Communist Party. The first part, in June, was marked by angry clashes between radicals and the dominant conservative wing.

Yesterday's debates reflected continuing divisions over the country's economic future, with several delegates demanding the resignation of the party's conservative leader, Mr Ivan Polozkov.

An oil worker from the Siberian Tyumen region drew loud applause when he called for a return to 1985 – the year in which Mr Gorbachev took power and began his perestroika reforms.

"No matter what slogans are used, a policy resulting in falling living standards and bloodshed is against popular interests," he said.

Despite the unprecedented liberalisation of the past five years, for many people perestroika has meant longer queues, emptier shops and, in some areas, rising violence.

The Soviet army, meanwhile, which is suffering from widespread draft-dodging and desertions, faced another challenge yesterday when the republic of Moldavia suspended laws on compulsory military service.

It said its parliament demanded talks with the central Soviet Government on returning Moldavians serving elsewhere in the Soviet Union to their home territory.

The Ukraine has already adopted a law forbidding the Soviet Army to call up Ukrainians for service outside their republic, and Armenia is setting up its own armed forces.

Three men in the firing line at the Russian party congress yesterday: Prime Minister Nikolai Ryzhkov, President Mikhail Gorbachev and party chief Ivan Polozkov.

Businessmen's complaints fail to move Brussels

By David Buchan in Brussels

REPRESENTATIVES of British small businesses yesterday urged the European Commission to drop its social action programme, saying it would "crucify" small business by unduly raising costs and so threatening jobs.

Mr Tom Lyon, who runs a small business in London's Docklands and who led yesterday's delegation, said Brussels should draw back from the labour market field and avoid heaping costs on small companies which were least able to bear them.

Mr Stan Mendham, chief executive of the Forum of Private Business, representing 17,000 companies, said EC legislation threatened to raise the cost to small businesses of complying with government regulations from 2 to 4 per cent of turnover.

They got little joy from Ms Vasso Papandreou, the EC social affairs Commissioner, who is forging ahead with a proposal this month to protect pregnant women at work, and with plans on written employment contracts, worker consultation and protection of people on subcontracts by the end of the year.

She told the businessmen that recent proposals, for example on regulating working hours, were flexible enough to accommodate trades with particular work patterns like butchers or off-shore oil workers. Small as well as large EC companies would have to accept that the short-term cost of improving labour conditions was essential to the long-term goal of raising productivity.

Oil price increase adds to Swedish troubles

Robert Taylor reports on a country vulnerable to world economic shocks

SWEDEN'S economy was already in deep trouble before Iraq's invasion of Kuwait. The Gulf crisis is likely to make it worse, even though the country is less dependent on imported energy than 10 years ago.

There is growing consensus that the economic revival of the 1980s is at an end. With 27.9 per cent of gross domestic product coming from exports, the country is particularly vulnerable to world economic shocks.

Rising oil and gas prices are bound to accentuate Sweden's inflation problems. The Finance Ministry estimates a rise of $1 on a barrel of oil adds SKr700m (£64m) to the current account and just under 0.1 per cent to the cost of living index.

Sweden's inflation rate is running at 10.8 per cent a year with an underlying increase of around 7 per cent. Next year it is expected to fall, but only slightly.

Mr Allan Larsson, the Finance Minister, has said the Swedish consumer will have to bear the burden of the increased costs that will arise from the crisis. The price of petrol in Sweden has risen to SKr7.02 (63p) a litre over recent weeks from SKr6.72 before the invasion.

The crisis threatens the age-old Social Democratic commitment to full employment, which has ensured that the official jobless total has never risen above 3.5 per cent since 1944.

With a general election in September 1991, the ruling Social Democrats are growing concerned at the prospect of lengthening dole queues.

Registered unemployment already shot from 1.1 per cent to 1.5 per cent between June and July and some economists believe it will eventually climb to 4 per cent before it stabilises.

Companies like Volvo, Saab and Electrolux have announced job cuts over the past fortnight as they face a squeeze on their key markets

in the US and Britain as a result of falling demand. Other employers are expected to shake out labour this autumn.

Nordbanken, one of Sweden's biggest banks, last week forecast that the number of jobless would rise to around 150,000 people, nearly 3 per cent of the workforce, by next autumn.

A net decline is expected in the country's growth rate in 1991, which would be the first negative figure since the Second World War. In the spring, the Organisation for Economic Co-operation and Development (OECD) already forecast that GDP it would rise by only 0.1 per cent.

During the first six months of 1990 industrial production fell by 3 per cent, the biggest drop since Sweden's cost crisis of the mid-1970s.

Earnings are rising by 12.7 per cent a year on average with an underlying rate of around 8 per cent but no sign of any cooling down in pay pressures. Most economists expect a sharp decline in earnings growth next year as the supply of labour outstrips demand.

The Finance Ministry is already adjusting its current account deficit forecast upwards and Nordbanken estimates this will climb from SKr34bn this year to SKr44bn in 1991.

Despite all this, the growth of nuclear power has made Sweden much less dependent for its energy needs on imported oil and gas which mainly come from the North Sea.

Between 1979 and 1989 petroleum product consumption dropped from 38.5m tonnes to 15.4m tonnes while oil imports fell over the same period from SKr30.7bn to SKr12.5bn.

Moreover, the modernisation of Swedish industry during the 1980s has made many companies better equipped to respond to a crisis. Above all, analysts believe Sweden is more ready to adapt to economic adversity, less prone to opt for a soft short-term option like devaluation to improve competitiveness.

Over the past fortnight there has been a de facto devaluation of the Krona by up to 3 per cent against a weak American dollar, helping export competitiveness in the important western European market. However, this seems unlikely to help in North America where Swedish companies are already suffering from falling demand.

This is the fifth in a series of articles about the impact of the oil price rise on leading European economies

Kosovo's ethnic Albanians ordered to shut up shops

POLICE yesterday ordered ethnic Albanian shopkeepers in Yugoslavia's Kosovo province to close indefinitely as punishment for taking part in pro-autonomy protests, Reuter reports from Pristina.

However, a defiant response to the closure edict, following a one-day general strike in the province on Monday, raised fears of renewed ethnic violence. Many shopkeepers broke red wax seals fixed to their doors by officials of the Serbian republic which controls the province.

Armed police in riot gear waited in trucks in Titova Mitrovica and patrolled Pec in two armoured vehicles.

Both towns have been the scene of frequent protests against Serbian rule in Kosovo. Some ethnic Albanians said they would resist if police tried to enforce the order to close shops.

Most ethnic Albanian workers went on strike on Monday in protest against the dissolution of Kosovo's parliament and government in July after ethnic Albanian deputies declared independence from Serbia.

They were also protesting against the sacking by Serbian authorities of at least 3,000 ethnic Albanians.

Netherlands seeks Community strength in numbers

Ronald van de Krol in Amsterdam explains renewed Dutch enthusiasm for the Benelux grouping

AT FIRST glance, it might seem odd that the Benelux movement should be enjoying a revival in the Netherlands. If the Dutch are such supporters of greater economic and political integration in the Europe of the Twelve, why are they also looking anew at this three-nation sub-grouping?

The answer is that the Dutch, while remaining fiercely loyal to the European Community, are worried that the big three countries – France, Britain and Germany – will dominate Europe at the expense of the little three, Belgium, the Netherlands and Luxembourg. Strengthening the Benelux sub-grouping, some Dutch argue, could provide a counterweight.

In the Netherlands, unlike Britain and some other Community members, the loss of sovereignty to EC institutions is not controversial. National pride is not offended by political power flowing to Brussels, nor are there fears about a common currency, as the guilder has effectively been pegged to the D-Mark for years.

What rankles is the idea that the diminution of Dutch sovereignty might be accompanied by a trend towards greater power among the bigger players. "The Netherlands would prefer to see a transfer of sovereignty to Community institutions rather than to a directorate of the Big Three," explains Mr Wouter van de Rijt, deputy co-ordinator for the Benelux countries in Brussels.

Disgruntlement with the larger EC countries became apparent earlier

SOVEREIGNTY

this year when the decision was taken to locate the new European Bank for Reconstruction and Development in London and to make a Frenchman, Mr Jacques Attali, its president.

While not strictly an EC affair, the matter symbolised, for Dutch officials at any rate, the way London and Paris sometimes disregard the wishes of smaller countries. The Netherlands was hoping either that Mr Onno Ruding, the former Dutch Finance Minister, would be given the top job or that the bank would make its home in Amsterdam.

This month Mr Ruud Lubbers, the Prime Minister, offered some surprisingly frank criticism of bilateral manoeuvring among the big European countries. In an essay published in the daily newspaper NRC Handelsblad, he insisted that he did not fear German dominance of the EC. But he argued that the Community would be better off if Paris were to commit itself to the EC as a whole rather than to just the Bonn-Paris axis.

"Europe will also be more successful if Paris gives up the pretension of wanting to be its capital, with French direction everywhere," he said. "It is precisely in order to ensure that Germany be just a partner in the European Community and in a united Europe that the power of all member states and of all capital cities should be used."

With concern growing that the Netherlands may eventually lose its traditional role as a mediator between the big Community states, voices are now being raised in support of upgrading the Benelux Economic Union, which was set up 30 years ago.

Mr Walter Paulis, a Dutch MP, has proposed that the Benelux countries form a confederation that would act as one within the United Nations and the EC. More importantly, he says, the Benelux should demand to be represented in the Group of Seven, the club of the world's leading industrial democracies.

His proposals have been welcomed by Mr Dick Kruijtbosch, a Dutchman who retires next month from the post of secretary-general of the Benelux Economic Union and government officials are also supportive.

This new-found interest in Benelux does not imply a loss of interest in the Community. As a small country heavily orientated towards foreign trade, the Netherlands is vitally affected by the single internal market, and its support for integration has been unstinting.

"From the beginning, the Netherlands has seen profits rather than losses from European integration," according to Mr Sam Rozemond, deputy director of the Clingendael institute of international affairs in The Hague. "Holland's Europe-mindedness is a derivative of its export-led economy."

> The Dutch, while remaining fiercely loyal to the EC, are worried that the big three countries – France, Germany and Britain – will dominate Europe at the expense of the little three

For this reason, Dutch business has traditionally stood behind integration, and two former presidents of the Philips electronics group, Mr Wisse Dekker and Mr Cor van der Klugt, have been prominent proponents of the single market and a common currency.

Political support for the Community cuts across party lines. Occasional grumbling can be heard from farmers and fishermen when EC decisions go against them, but there is generally widespread popular understanding of the advantages of Community membership.

Dutch willingness to sacrifice a measure of national independence in the interest of Europe's development is often linked to the country's status as a founding member of the Community and its desire to tie West Germany, its powerful neighbour, to western institutions. However, long-standing membership of the Benelux has perhaps been equally important.

In some areas, the Benelux countries have already gone much further than the rest of the EC in creating a borderless market in which goods and people can move freely. With the signing of the Schengen accord between France, Germany and the Benelux, this border-free area is being extended to all five states.

There are, nevertheless, clear limits to how far the Dutch will go in giving up control. They refused, for example, to yield any ground to the four other countries on Dutch policies on combating drugs. The Germans, in particular, were critical of the Dutch for concentrating their policing efforts on hard drugs while tolerating soft drugs.

The Netherlands also stood out from its Schengen neighbours in its continued abhorrence of any system of obligatory identification cards for its citizens. These differences were couched in terms of a Dutch defence of its "identity" and "culture", not of its national sovereignty. But the debate proved that even for the Dutch there are aspects of national life that lie outside the authority of the wider European community.

This is the eighth article in a series on EC countries and Community institutions. Previous articles appeared on August 6, 9, 14, 20, 23, 28 and 29.

Troops open fire on ANC in clashes with Inkatha

By Patti Waldmeir in Sebokeng and Philip Gawith in Johannesburg

SOUTH AFRICAN troops opened fire on a crowd of African National Congress (ANC) supporters in the black township of Sebokeng yesterday, killing nine people in an incident supporting allegations of security force involvement in violence, which has left more than 500 dead in townships around Johannesburg.

Troops intervened during fighting between Zulu members of the Inkatha Freedom Party and ANC supporters at a hostel in the township, 60km from Johannesburg, in which at least 36 people died.

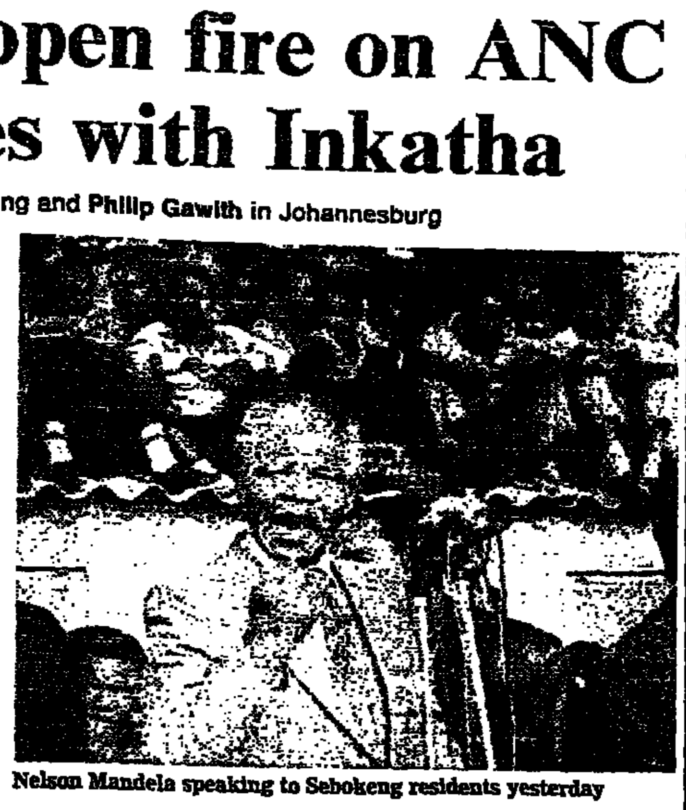
Eyewitnesses, their clothing spattered with blood, said police and troops repeatedly assisted Inkatha.

They said Inkatha supporters arrived in the early hours of Tuesday morning, ferried by police. The Inkatha group attacked hostel residents using guns and pangas, killing at least 22 people.

Mr Themba Khoza, the Inkatha spokesman for the region, and 112 other men were afterwards arrested by police, who said a military board of inquiry and an internal police investigation would be held into yesterday's incidents.

Numerous eyewitness accounts of the attacks provided the strongest evidence yet of the involvement of both security forces and Inkatha office bearers in the current fighting. Residents said they retaliated and cornered their attackers in a hostel compound, where troop reinforcements were called to contain a large crowd.

According to Father Lord McCamel, a local priest: "We were happy when we saw the soldiers arrive. We said they are better than the police, they don't just shoot indiscriminately." At that moment, said Father McCamel, the troops opened fire without warning.


Nelson Mandela speaking to Sebokeng residents yesterday

Mr Japhta Dalincindi, a resident of the hostel who witnessed the shooting and helped to carry the wounded to hospital, said he saw army vehicles run over several dead bodies.

He said he saw Inkatha members arrive at the hostel accompanied by police in the distinctive yellow cars used by the South African force.

"There was shooting from the Inkatha people. They were helped by police," he said. Mr Dalincindi said he also saw police shooting at hostel residents as they attempted to escape the Inkatha attack.

Mr Nelson Mandela, the ANC deputy president, visited the area later in an effort to quell the tension.

He said he was "outraged" by what he saw at a local mortuary, where one of the dead was apparently shot from behind. Most of the others, he said, were either shot, stabbed or hacked to death.

In a separate attempt to bring peace to volatile townships, President F.W. de Klerk made his first official tour of Soweto, the country's largest township, since taking office last year.

Yesterday he was enthusiastically received by Soweto residents, one man hailing him with "Viva Comrade de Klerk." Mr Reuben Baloyi, a local resident, said of Mr de Klerk's visit: "It's great. Since the beginning of February, he's the greatest. We like him because of the way he's doing things."

At the weekend, the President launched an investigation into allegations of police involvement in recent killings, and released the report of an independent judicial enquiry into police shootings in Sebokeng, which severely criticised the conduct of the security forces.

Political posturing endangers Cambodian talks

By Robin Pauley, Asia Editor

CAMBODIAN peace talks, due to open in Jakarta today to discuss a United Nations blueprint for settling the country's long-running conflict, are in jeopardy even before they begin because three of the four main leaders have threatened to stay away.

Hun Sen, Prime Minister of the Phnom Penh government, has said he will not be there because Prince Norodom Sihanouk, head of one of the three opposition resistance groups, has refused to attend. This led yesterday to Khieu Samphan, who leads for the Khmer Rouge in international talks and who is the "respectable" front for Pol Pot, saying he will not turn up.

Prince Norodom Ranariddh, who often deputises when his mercurial father stays away from meetings, also said he will not attend.

This means that Son Sann, who leads the third guerrilla group, the Khmer People's National Liberation Front, is the only leader of the four factions still agreeing to attend the talks in person.

The opposition leaders say they are not attending because Hun Sen is staying away and Hun Sen blames his absence on their non-attendance. This sort of circular jockeying, with threats and counter-threats, has characterised previous talks and may all turn out to be bluff. If, on the other hand, each leader does stay away the value of the talks will be greatly, perhaps fatally, reduced even though some have said they will send "representatives" in their absence.

Hun Sen, for example, has said he will be represented by Hor Nam Hong, his close confidant, who is in charge of foreign affairs for the Phnom Penh government.

Hopes for a negotiated settlement were raised after the five permanent members of the UN Security Council, who have backed different clients during the conflict, agreed a process for peace last week.

Under the plan the UN would organise a ceasefire and handing in of weapons. It would supervise five key government ministries in a transitional period before elections. The ministries would run Cambodia with help from a Supreme National Council comprising representatives of Hun Sen's government and the opposition groups.

Phnom Penh faces threat on financial front

Hun Sen must solve revenue dilemma after 10-year tax holiday, John Pedler writes

THE Cambodian government will have to impose immediate increases in duties and taxes, which are among the lowest in the world, if it is to avoid fiscal collapse – perhaps a danger greater and more imminent than a military collapse.

British, French and Thai officials and academics visiting Cambodia have concluded that unless swift action is taken Cambodia's finances could be out of control before the end of this year.

Kong Sam Ol, Cambodia's deputy prime minister, and Ministry of Finance officials have independently reached more or less the same conclusion.

Professor Maghdad Desai, a London School of Economics expert on Third World development problems, spent some time in Phnom Penh under the auspices of Britain's Cambodia Trust and concluded that hyper-inflation could take hold this autumn, taking the fragile economy onto the rocks unless counter measures were taken immediately.

Stabilising the economy is vital as progress is sought towards a peace settlement for Cambodia and foreign entrepreneurs, already interested in future prospects in neighbouring Vietnam, start to assess the commercial outlook there.

Hong Kong and Singaporean Chinese entrepreneurs have looked anew at Cambodia's undervalued assets since Mr James Baker, the US Secretary of State, announced a policy U-turn on Cambodia in July, ditching token support at the UN for the Khmer Rouge and making some form of US-Cambodian rapprochement more feasible in the future. These potential investors are reported to be mainly interested in land around Phnom Penh.

Prof Desai's report argues that there is plenty of room for both action and optimism. Beer is cheaper in Cambodia than anywhere else in the world and petrol is cheaper than anywhere other than at a Saudi well-head, says his report. The acute shortage of electricity is partly due to its cost being so low that there is no incentive to save it.

Resolving this situation could be relatively painless. Prof Desai says a modest increase in taxes and duties, none falling on the peasantry which comprises more than 80 per cent of the population or on the urban poor, would redress matters.

Only those would pay who could readily do so and it is they who have most to lose from fiscal collapse, says Prof Desai.

He also points out that Cambodia has had a very long tax holiday in the decade-long reconstruction period since Vietnam invaded to overthrow Pol Pot's Khmer Rouge regime in 1979.

The country also has substantial agricultural resources, although there is no suggestion as yet of agricultural taxes being imposed.

Prof Desai says the key question is whether the government of Hun Sen has the political courage to act immediately to raise taxes.

Thai academics advising the government have focused on the severe shortage of trained officials and business people who understand modern fiscal policy and the sort of legal framework within which a free economy must be operated. Many such people were killed by the Khmer Rouge, who murdered an estimated 1m of Cambodia's 8m population during four years in power.

Other professionals fled and those who survive within Cambodia, though often dedicated, are now 15 years behind in their studies.

The Thais would like to organise crash training programmes for Cambodians in Thailand where, as one official put it: "We can teach them a few object lessons both in how and how not to run a free economy."

French officials, supporting such ideas, said: "Cambodia needs the best fiscal advice it can get."

Hun Sen, the Prime Minister who started economic reform before most communist leaders including President Mikhail Gorbachev in the Soviet Union, said: "We are trying to find the right balance for our particular economy between the public and private sectors."

But as the economy expands rapidly serious strains have developed between the official economy and the new unchecked laissez-faire economy. Quick and quickly-exported profits for the few are leaving many honest officials stranded in genteel poverty.

This is a potential recipe for the return of corruption which could once again threaten stability as it did under Prince Norodom Sihanouk's leadership 20 years ago.

The Hun Sen government is hoping for EC and Japanese aid; both have indicated they would be prepared to help infrastructure projects once a peace settlement is reached. The economy has only limited capacity to absorb massive aid without tumbling into hyper-inflation, but transport and communications are in urgent need of repair and replacement.

As examples of the level of funding needed, experts estimate the cost of repair of 50km of road at £2.5m, which means £10m would restore the worst-damaged roads. As little as £50,000 would set up a temporary dial telephone network to link the war-torn western provinces with each other and with the capital.

A single Cessna light plane would get priority passengers, currently unable to travel by air, around the country.

Nigerian spending spree begins to raise concern

By William Keeling in Lagos

UNCONTROLLED government expenditure is threatening to destabilise Nigeria's exchange rate and fuel inflation, according to the half-year review by the country's central bank.

It said that although revenue was 60 per cent above budgetary expectations, the federal government had by June exceeded its budgetary deficit target for the entire year.

In the first six months official foreign exchange earnings amounted to \$4.2bn (£2.15bn), of which 95 per cent was accounted for by the export of crude oil.

The external reserves of the central bank also rose from \$1.7bn to \$2.9bn, sufficient to cover seven months of imports. And the current account transactions in the balance of payments resulted in a surplus of \$944m.

But there was little else in the report to raise a smile. The sharp climb in the central bank's reserves is believed by many analysts to be a result of increasing arrears in international debt repayments. The government has been in dispute with the London and Paris Clubs of creditors since April and as one banker commented: "If Nigeria had been paying her dues she would be down to her bones."

Of greater concern, however, is the spending spree being undertaken by the federal government.

Its expenditure for 1990 was targeted at \$5bn which would have resulted in a deficit of \$1.8bn. In the first six months spending had already reached \$3.4bn and the deficit for 1990 is likely to be double that targeted in January.

Following the recent rise in the price of oil, revenue for the second half will also be substantially higher than forecast. Even so, the bank warns of "serious consequences for the economy" if federal expenditure is not trimmed.

Students protest over decision to reserve jobs

THOUSANDS of students protesting against the Indian Government's decision to reserve more jobs for low castes hurled home-made bombs at police in the eastern Indian city of Patna on Tuesday, Reuter reports from Patna.

Shouting slogans against Prime Minister Vishwanath Pratap Singh, the students tried to march to the governor's palace but police stopped them.

Eyewitnesses said students fired shots from home-made pistols and pelted bombs at police who teargassed the procession. Mounted police later dispersed them.

At least six students were injured and 300 people were arrested in Patna.

Shipworkers strike

Thousands of workers at Hyundai Mipo Dockyard, South Korea's fourth largest shipyard, went on strike yesterday demanding wage increases, AP-DJ reports from Seoul.

Some 2,000 union members refused to work in the morning and gathered on the company sports field, where union officials explained the cause of the work stoppage.

The union and management have held 70 rounds of negotiations for wage increases since early last month, to no avail, said an official.

Rebels fire 12 rockets

Guerrillas fighting the Soviet-backed government in Afghanistan fired 12 rockets into the capital Kabul yesterday, killing five people and wounding four according to the official Kabul radio, Reuter reports from Islamabad.

The surface-to-surface missiles hit two districts of Kabul, said the radio, monitored in Islamabad.

The city has been a frequent target for rocket attacks by the western-backed rebels, who have been fighting the Kabul government for 12 years.

Shevardnadze meets Japanese officials

By Robert Thomson in Tokyo

MR Eduard Shevardnadze, the Soviet Foreign Minister, arrived in Japan yesterday with the message that Moscow considers the time right for a fundamental change in the troubled relationship between the two countries.

The Soviet minister, in Tokyo for talks to prepare the way for President Mikhail Gorbachev to visit Japan early next year, hinted that a compromise could be reached in the dispute over the Soviet-held Kuril Islands north of Japan, which remain an obstacle to improved ties.

Mr Shevardnadze said the President's visit would be a "great turning point" for the two countries, while his own aim is to build confidence and establish a broader relationship with Japanese officials.

The dispute over the islands, occupied by Soviet troops at the end of the Second World War, will have to be solved before Japan agrees to an improvement in economic relations and, particularly, assists in the development of the Soviet Far East.

Before arriving in Tokyo, Mr Shevardnadze addressed an international symposium in Vladivostok at which he proposed a conference of Asia-Pacific foreign ministers in autumn 1993 to establish a multilateral body to handle regional problems.

Japanese Foreign Ministry officials said that the Shevardnadze proposal was not new, although it was the first time a date had been proposed. They suggested that the proposed conference could only be held if regional disputes, such as on the Korean Pensinsula and in Cambodia, are resolved in the meantime.

Mongolian leader pledges reform

PUNSALMAAGIYN Ochirbat, dressed as an ancient Mongol warrior, drank a ceremonial bowl of fermented mare's milk and pledged swift free-market reforms during his inauguration as Mongolia's president yesterday, Reuter reports from Ulan Bator.

President Ochirbat, a Communist Party member who was re-elected as president on Monday, knelt before parliament and kissed a national flag held by four soldiers with drawn swords before swearing himself in to Mongolia's most powerful post. Then he downed the bowl of mare's milk, a traditional drink.

"We must swiftly start a transition period to a market economy," President Ochirbat told delegates to the upper house of parliament, the Great People's Hural, in an inaugural speech broadcast on television throughout the vast country which equals the size of western Europe.

The new President also stressed the importance of building up economic ties with the Soviet Union, China and other nations.

It was the first meeting of parliament's upper house since Mongolia staged its first democratic elections in August, ending 69 years of one-party communist rule.

To become President Ochirbat not only attracted votes from the Communist party, whose candidates won about 85 per cent of the seats in the upper house, but also the votes of opposition delegates who were swayed by his experience and reformist views.

A 48-year-old former foreign trade minister who graduated from Leningrad University in geology, Ochirbat is still a communist party member but no longer holds office within the party.

As President he will be endowed with new powers awarded since August's elections, government officials said. These include a veto right on legislation passed by the lower house of parliament, the Small Hural.

Mongolia has been a client state of Moscow since 1921 but in recent years its northern neighbour has relinquished most of its control, although 85 per cent of trade remains with the Soviet Union.

UK NEWS

EC ADMINISTRATION

London seeks to get top graduates into Brussels

By Hazel Duffy

THE BRITISH Government yesterday launched a new scheme to attract graduates into the European Community civil service.

Up to 30 graduates will be recruited each year into a special programme which will prepare them for the competitive entry run by the European Commission and other EC institutions.

This compares with around 100 graduates who enter Whitehall via the fast stream system each year.

The new "Euro class" will be given work experience in Whitehall departments which work closely with the EC. The recruits will also be given language and other training, and an introduction to European issues. And they will be trained in the process of lobbying to get a particular job, which is an accepted way of getting into Europe.

If the special grade do not succeed at the European stage, they will be offered jobs in the home civil service. Undergraduates and graduates, under the age of 33, will be eligible to take the competitive entry, which will be run by the Civil Service Commission. Mr David Mellor, civil service minister said that less than 12 per cent of the top grade administrators are British. On a geographical basis, it should be 15 per cent.

Britain has always been under-represented in the European civil service. More worrying is that the number of people putting themselves forward as potential entrants is declining, indicating that there will be even fewer Britons working in Brussels, Luxembourg and Strasbourg than at present.

It appears that there is no bias against the British, simply that the European process correlates most with the civil service recruitment experience in the original six countries of the EC. The tendency is for Brussels to recruit people who already have work experience, and to take lawyers and economists.

The Commission plans, however, to introduce a new category of general administrator which would accord more with the British system.

Nissan drives its way into Europe

Kevin Done looks at an assault on the medium family car market

NISSAN MOTOR of Japan launches its first serious assault this week on the medium family car segment of the European market with the unveiling of its UK-built Primera range.

The car, which replaces the Bluebird, will be built for the European market at Nissan's £640m assembly plant, under development at Sunderland in north-east England.

The car is the company's first credible rival to its European competitors, led by the Ford Sierra, General Motors's Opel Vectra (sold as the Vauxhall Cavalier in the UK), the Peugeot 405 and the Volkswagen Passat.

The Primera is the first Nissan car to have 80 per cent local European content, the level at which cars are accepted as being European rather than Japanese.

Nissan hopes the Primera will unlock those southern European markets which are still largely protected from Japanese car imports, chiefly Italy, France, and Spain.

At the same time Nissan, which was the first Japanese car maker to begin car assembly in Europe when it began production at Sunderland in 1986, is expected to announce soon that it will next year start to export 3,000-5,000 UK-built Primeras a year to Japan and possibly to other Asian markets.

The introduction of the Primera has renewed conflict between the Japan's second largest car maker and Nissan UK, the privately-owned UK company controlled by 76-year-old Mr Octav Botnar, which holds the exclusive franchise for importing and distributing Nissan vehicles in the UK.

In a display of brinkmanship which threatened to throw the car's UK launch into confusion, the two sides only reached agreement at the end of last week on the transfer price at which Nissan UK would buy cars from Nissan Motor Manufacturing (UK), the Sunderland-based assembly subsidiary of Nissan Motor, and on the volumes Nissan UK would purchase for the UK market.

Mr Botnar, a West German, has built the Nissan franchise in the UK into the company's biggest single European market accounting for 35 per cent of its European car sales last year with registrations of 138,437 cars and 9,329 light commercial vehicles.

Success in the UK has helped make Nissan the best-selling Japanese marque in Europe ahead of Toyota, which dwarfs it in Japan.

Nissan Motor has tried to regain control of the franchise from Nissan UK, but negotiations with Mr Botnar have foundered.

Toyota is due to begin production of a rival to the Nissan Primera in late 1992 at its UK car plant under development near Derby. Honda, Japan's third largest car maker, is set to begin late next year pilot production at its Swindon plant of a new car range for Europe, also in the medium family car segment. These moves herald a rapid intensification of competition for Europe's established car makers.

Mr David Hurst, Nissan Europe vice president for northern Europe, said that the group aimed to sell up to 120,000 Primeras in Europe in 1991, of which around 10,000 would be estate cars imported from Japan.

Of the planned output of 100,000-110,000 Primeras at Sunderland next year, "significantly more than half" would be exported.

Nissan has invested around £255m in production facilities for the Primera at Sunderland as well as a further £75m in tooling at its European suppliers. It has introduced a much higher level of automation with 70 per cent of body spot welds now automated.

Around $250m was spent by Nissan on the design and development of the Primera – excluding engine and transmission development – and it invested a further £50m in Primera production facilities in Japan at the Oppama plant. The next big step at Nissan's UK plant will be the addition in 1992 of a second car range, as a replacement for its Micra small car currently imported from Japan.

Total employment is currently at 2,500, but will rise to 3,500 in 1993 with more than 1,000 additional jobs created in associate companies at the Wearside site.

When both cars are in production Nissan will be spending around £600m on components purchases from European suppliers, but gearboxes and engine blocks are still expected to be imported from Japan.

● The new car market in the UK "is likely to get worse rather than better" during the rest of this year and total sales would fall by up to 13 per cent to 2m, Mr Stephen Dixon, chief executive of Volvo Concessionaires, said yesterday.

Speaking at the unveiling of Volvo's "flagship" 900 series, he said new car registrations in August – by far the year's biggest sales month because of the introduction of the new registration plate prefix – were also likely to be down by about 13 per cent compared with last year.

BRITAIN IN BRIEF

Lords call on car trade barriers

Trade barriers protecting European car manufacturers from Japanese imports should be gradually removed after 1992 in the interests of consumers, the cross-party House of Lords Select Committee on the European Communities said yesterday.

In a report on the single market and the European motor industry, the committee agreed that the Commission's proposals for a transitional period as import restrictions were lifted was necessary to allow restructuring to take place.

However, this period should be as short as possible, and improvements in productivity and world-wide competitiveness as the industry's only long-term option.

"It would be a tragedy were the Community to accept a two-tier single market with the most important industries, like the car industry, shielded from the full challenge of 1992," the report said.

CBI launches new campaign

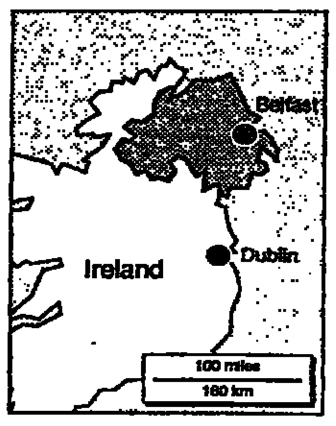
Companies face "disastrous consequences" unless the UK changes its inflationary habits, the Confederation of British Industry warned yesterday.

At its launch for a "campaign for stable prices" and a report on the UK's inflation performance, the CBI's economics team said British wages would overtake German wages by 1995 unless inflationary demons were exorcised from the economy.

The goal of the campaign – which the CBI hopes will stimulate national awareness of the damage caused by inflation – is to reduce retail price inflation to under 3 per cent by 1995 to match West Germany's inflation performance. The UK rate as measured by the retail prices index (RPI) in July was 9.8 per cent, with costs rising 5 per cent faster in the UK than in West Germany.

The CBI was advised by a team of academic and City economists for its published analysis of the causes of the UK's recurring inflation problem since the Second World War and the policies to tackle it.

Dividend for shipbuilder



Harland and Wolff, the Belfast shipbuilder, announced an interim dividend of six pence per share at the end of its first year as a private company.

Harland, transferred to the private sector in a management-employee buy-out last September, has five Suezmax oil tankers on order from Mr Fred Olsen, the Norwegian ship owner, filling the company's delivery schedule until 1993.

The dividend was disclosed by Mr John Parker, company chairman, in a letter to employees at the Northern Ireland yard, most of whom bought shares when the company was privatised.

Launch plan for fax newspaper

A small British company plans to launch what it says is the first daily newspaper by fax later this month.

In a three-month experiment, Data Broadcast Services will use spare satellite capacity to transmit three or four pages of news a day to specially adapted fax machines at 30 large London advertising agencies.

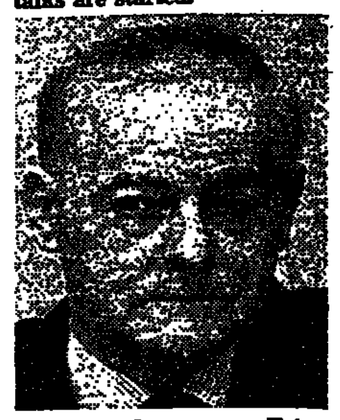
Mr Vince Waterson, DBS managing director, said the intention was to the potential of linking television satellites and fax machines to broadcast specialist publications to subscribers across countries or continents.

Material for the advertising industry faxpaper – as yet untitled – will come from the FT Profile database of newspapers and news agencies.

Pressure on Molyneaux

THE Social Democratic and Labour Party, Northern Ireland's main nationalist political party, yesterday called on Mr James Molyneaux, the Ulster Unionist leader, to clarify whether he wished to pursue inter-party talks aimed at devolving powers to the province.

Mr Alban Maginness, SDLP chairman, said Mr Molyneaux's party appeared to be jeopardising the prospects of progress by asking the Irish Government to agree to new preconditions before formal talks are started.



James Molyneaux: call to explain intentions

The Ulster Unionist Party has asked Dublin to repudiate the Anglo-Irish Agreement and its territorial claim over the province.

The Rev Ian Paisley, Democratic Unionist leader, said such issues were a matter for negotiation and the only preconditions remained a government commitment to consider an alternative to the agreement and the suspension of the agreement and its secretariat during formal talks.

Increase in reserves

THE sharp rise in sterling in August was reflected in a $366m increase in Britain's underlying gold and foreign currency reserves last month, Treasury figures showed yesterday.

The underlying change includes transactions for government departments and other central banks as well as intervention in the foreign exchange markets.

At the end of August the official reserves stood at $39.30bn, up $455m from the $38.84bn at the end of July.

Proceeds from the tender in August of UK Ecu Treasury Bills came to $1.17bn, against maturing Bills of $1.05bn.

Approach to Toyota

A PLAN for Transport and General Workers' Union and the MSF general technical union to make a joint approach for recognition to Toyota, the Japanese car company, has broken down because the TGWU thinks it will not work.

MSF wanted to apply jointly with the TGWU for a recognition deal both at Toyota's planned plant in Burnaston, Derbyshire and a new plant in Wakefield, West Yorkshire which is being opened by Pioneer, the electronics company.

But although the TGWU and MSF have been working more closely together as the first stage of a possible move towards merger, the TGWU has decided both companies will accept only recognition for a single union at most.

Sumitomo and Morgan link

Sumitomo Life Insurance Company of Japan has forged an agreement with J P Morgan, the US bank, to provide £220m over 25 years in return for a 52.5 per cent share of Morgan's new London headquarters in Victoria Embankment.

The new office complex, which is near Blackfriar's Bridge, will be completed next year. The site, which was previously occupied by the City of London schools was bought in 1987.

The deal will reduce Morgan's financing cost over time, rather than provide any immediate gain. Sumitomo is taking a share of in the 990 year leasehold of the building, while Morgan is retaining the freehold.

Fire destroys town centre

Fire brigade and police experts yesterday were investigating the cause of a blaze which devastated the heart of one of the country's most historic towns.

Totnes, in South Devon, faces a possible multi-million pound reconstruction bill as result of the fire which destroyed the last of the town's three medieval gates, the unique Grade I listed Eastgate, an archway which incorporated a clock and buildings.

About 10 timber-fronted merchants' houses, dating back to the 16th Century were also destroyed or damaged.

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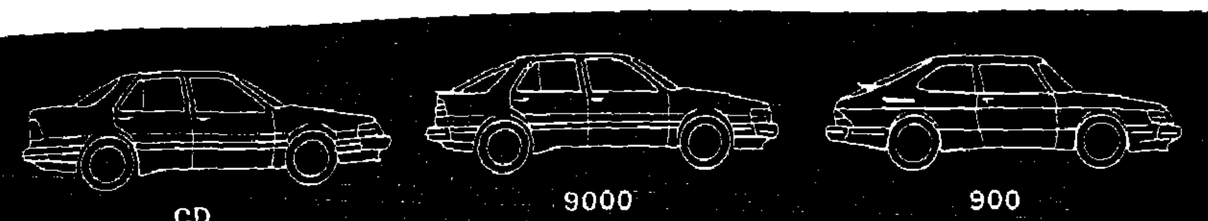

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UK NEWS

FARNBOROUGH AIR SHOW

Quarrel breaks out over fighter jet

By David White, Defence Correspondent

A FRESH quarrel has broken out between Britain and West Germany over the £22bn European Fighter Aircraft project.

The row involves leadership of the £1bn "defensive aid sub-systems" contract for the four-nation aircraft. The contract will cover all the aircraft's electronic warfare equipment, designed to detect, jam and confuse an enemy's radar and targeting systems.

The West Germans, who, like the British, have a 33 per cent stake in EFA, have become increasingly resentful about the dominant UK role in the main elements of the aircraft.

The dispute follows a two-year rift over the radar for the aircraft, which was resolved earlier this year when a UK-backed radar, designed by Ferranti Defence Systems, won the deal when the British company was taken over by GEC-Marconi.

Until then, GEC-Marconi had been a partner in a German-backed proposal based on a US radar design. That option would have given leadership to Telefunken System Technik (TST), a subsidiary of the Daimler-Benz Group, which also includes MBB, the main German partner in the EFA.

Some observers believe the radar decision may have undermined German support for the project.

Germany is committed to the development phase, due to culminate with the first prototype flight in early 1992. But uncertainty as to whether Bonn will proceed into production is the main threat hanging over the project.

Dr Gerhard Jaeger, chairman of TST, said yesterday that the West Germans would insist on leading the electronic warfare contract.

TST is due to enter a joint bid for the contract with GEC-Marconi and Italian and Spanish partners.

However, GEC-Marconi sees itself as the company most qualified to head the project.

It received a "request for proposals" two weeks ago and is due to submit a team bid within three months. It is expected to be the only bid for an integrated electronic warfare package, although other companies may bid for individual items.

GEC-Marconi is already supplying a similar package for the RAF's Harrier GR5 ground-attack aircraft.

Rolls-Royce cautious on market for gas turbines

By Paul Abrahams

ROLLS-ROYCE, the British aero engine manufacturer, has revised downward its forecast for the world gas turbine engine market over the next 10 years by 15 per cent, because of recent improvements in East-West relations.

The market for these engines, between 1990 and 1999, will be worth about £130bn, of which 45 per cent will be in the military sector and 55 per cent in the civilian market, according to Mr Colin Green, head of military engines at Rolls-Royce.

Demand for gas turbines will be adversely affected by the conventional forces' reduction talks and the outcome of defence reviews in both the US and the UK, he said.

Mr Green said recent events in the Gulf should provide some alleviation but would not offset the cuts in Nato defence spending. He explained that about 50 per cent of the military demands for such engines comes from the US, with about 15 per cent from European members of Nato.

In the civil aviation market, it was too early to estimate the effect of increased oil prices on either airline costs or on passenger demand, said Mr Green.

Take-off: France's Dassault Mirage 2000-5 is put through its paces

Sikorsky grants S Koreans licence to produce Blackhawk

By Paul Abrahams

SIKORSKY Aircraft, the US helicopter manufacturing division of United Technologies, announced yesterday that Korean Air, the South Korean company, has been given a licence to produce Blackhawk military helicopters.

The deal, which has taken four years to conclude, is worth about £500m.

Korean Air will manufacture an unspecified number of helicopters over five years. Mr Jim Sutterwhite, Sikorsky vice-president for international programmes, said a substantial number of aircraft was involved.

The aircraft, which will be in the same configuration as those used by the US Army, will be flown by the Korean Army.

Initially, the Korean company's role will be limited to the final assembly of parts manufactured in the US. However, Mr Sutterwhite said the Koreans would progressively build up their own manufacturing capability.

He added that, although the Koreans would be able to market the parts they produce, under the terms of the agreement they cannot sell the aircraft independently.

Korean Air is the parent company of the nation's flag-carrying airline. It has already been involved in the manufacture of a number of light helicopters and jet fighter aircraft.

● Westinghouse, the US radar system manufacturer, yesterday signed an agreement with Radwar, the Polish radar manufacturer, to jointly develop and market radar and other electronic equipment.

The agreement detailing the projects to be undertaken is expected to be finalised during the next few months, Westinghouse said.

The two companies are considering co-developing their new air traffic control radar; upgrading Radwar's Avia CM radar with Westinghouse technology; and producing electronics at Polish facilities.

Air traffic control in eastern Europe requires urgent investment.

Paris may release £1m in miners' donations

By Michael Smith, Labour Correspondent

EXECUTIVE members of the National Union of Mineworkers hope to recover more than £1m of disputed funds next Monday following indications of a climbdown by the International Miners' Organisation which holds the money and has previously claimed ownership.

At the meeting in the Paris headquarters of the IMO, Mr Arthur Scargill, President of the NUM and the IMO, will face strong pressure to abandon his claim that the money, collected in the Soviet Union during the 1984-85 pit strike, was intended for use by unions throughout the world.

This follows evidence that Soviet union leaders think the money was for use by NUM members and their families. Mr Scargill has claimed that it was for use by miners throughout the world.

The recommendation of the NUM team to claim the IMO money represents an embarrassing setback for Mr Scargill, although he repeated that no one would be more delighted than him if the money was intended for the NUM.

It was still unclear what the NUM's team intended to do about £580,000 collected in Britain during the strike and deposited in Dublin accounts. The money was identified in a report into the union's finances, although Mr Scargill says it has been used for the benefit of UK miners. Some of the team also want an account of £20,000 donated by Hungarian miners.

Opposition leader promises 'fairness not favours' in UK industrial relations

Kinnock seeks new pact with unions

By John Gapper, Labour Editor

MR NEIL KINNOCK, the opposition Labour leader, yesterday proposed a new pact between Labour and the UK's trade unions in which the party would give no "gifts of patronage" to its financial backers, but would instead create new legal rights for both unions and workers.

Mr Kinnock told the Trades Union Congress in Blackpool that a Labour government would "provide equity in industrial relations law for all, and immunity for none." It would promise "fairness not favours" for unions.

In what may be his last speech to the TUC before the next general election, Mr Kinnock tried to establish a clear distance between the party and unions, and defuse accusations that Labour will be vulnerable to union pressure in government.

He was speaking to the Congress in Blackpool a day after it voted clearly to back Labour's revised industrial relations policy. The policy includes strict limits on secondary industrial action, and compulsory ballots before strikes.

Labour's leaders regard the party's financial and historical links with unions as a subject on which it continues to be electorally vulnerable. By promising legal controls over unions, they hope to reassure voters of Labour's independence.

Mr Kinnock set education and training as the highest priority for a Labour government in order to improve Britain's economic performance. He said the quality of life, the real freedom of individuals and economic success all depended on it.

Neil Kinnock: won standing ovation from delegates

His speech also included a strong attack on Mr Arthur Scargill, president of the National Union of Mineworkers, for claiming that the TUC had betrayed its principles by backing changes in Labour's employment law policy.

Mr Kinnock was given a standing ovation by delegates from most of the 78 unions represented in the hall, although some left-wing delegations did not stand. Mr Scargill was among a handful of delegates who did not applaud Mr Kinnock at all.

The Labour leader emphasised that unions would be placed clearly within a framework of law by Labour, and all parties to an industrial dispute would have to obey binding rulings made by the party's proposed new Industrial Court.

The Congress vote on Monday means unions have accepted that not all Conservative legislation will be repealed by Labour if it wins the next election. Labour will retain compulsory balloting for the selection of senior union officials.

Mr Kinnock said "legal democratic ballots on decisions, elections and actions" strengthened free trade unions. Labour's new framework of law would establish positive rights for unions and give them "commensurate responsibilities."

"The right to join a trade union, the right to vote, the right to be recognised upheld in law aren't favours – they are justice," he said to loud applause. The labour movement was not born in favours and would have no future in them.

The TUC voted on Monday by an overwhelming show of hands to back Labour's new employment law policy. A second motion which would have backed rights to extensive industrial action was defeated in a card vote by 4.4m votes to 3.5m.

Mr Michael Howard, the Employment Secretary, has criticised Labour's changes to its employment law policy as deceptions which do not "amount to a row of beans". The Government still believes Labour is electorally vulnerable on the issue.

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MANAGEMENT

The deal earlier this summer in which Cummins, the diesel engine maker, sold 27 per cent of its equity to Ford Motor, Kubota of Japan and Tenneco, the US farm machinery, defence and automotive components conglomerate, might mark a turning point for the company.

Since the mid-1980s Cummins has been turned into a test case of the ethics of American capitalism. Henry Schact, Cummins chairman, has championed what he saw as the long-term interests of American industry against Wall Street which he accused of having loose morals and short-term perspectives.

Yet the deal was also significant for Tenneco. Like Cummins it has been subject to a lengthy tug of war between the industrial and financial factions of the US economy.

Schact may draw some comfort from Tenneco's experience. Its involvement in the Cummins deal marks another stage in its resurgence, as its improved industrial performance has dispelled the financial uncertainty around it.

Although Tenneco's recent history does not have the tainted glamour of the more infamous leveraged bids, it was reshaped by the US takeover wave without being taken over. Its revised corporate strategy introduced in 1989 was in large part a response to rumours on Wall Street of an impending break-up bid.

Tenneco, which began life during the Second World War as an oil and gas pipeline company, moved into oil and gas exploration and production in 1946. This was to be the foundation for the rest of the group for more than 40 years as it determinedly diversified and evolved into an industrial conglomerate. It added chemicals in 1955, shipbuilding in 1968, the JI Case agricultural machinery operations two years later, automotive components in 1977 and to cap it all, parts of the ailing International Harvester, another agricultural machinery maker, six years ago.

At that time, the company expected healthy demand for agricultural and construction machinery and rising oil and gas prices. Neither expectation was fulfilled.

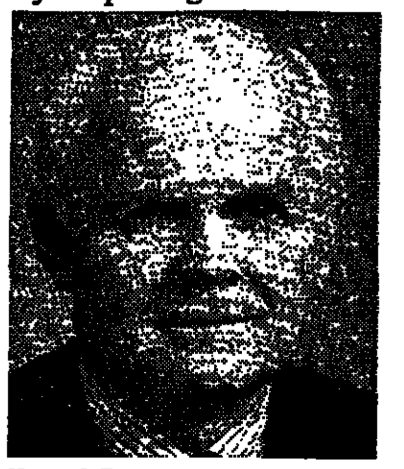
By 1987 the company was in deep trouble; it reported a 54 per cent fall in operating income for the first quarter as the recession in the oil and gas business took its toll. The farm equipment business was also struggling, despite substantial investment. Tractor sales which reached a peak of 166,000 a year in 1979 fell back to 61,600 in 1986.

In 1987 operating income was halved to $505m as the company slid into a net loss of $218m. Yet the sharp decline in Tenneco's fortunes was only partly due to the cyclical decline in oil and agriculture. The plunge in 1987 marked the culmination of a steady decline from a peak net income of $777m in 1981, falling each year to $369m in 1984 and on to the loss in 1987.

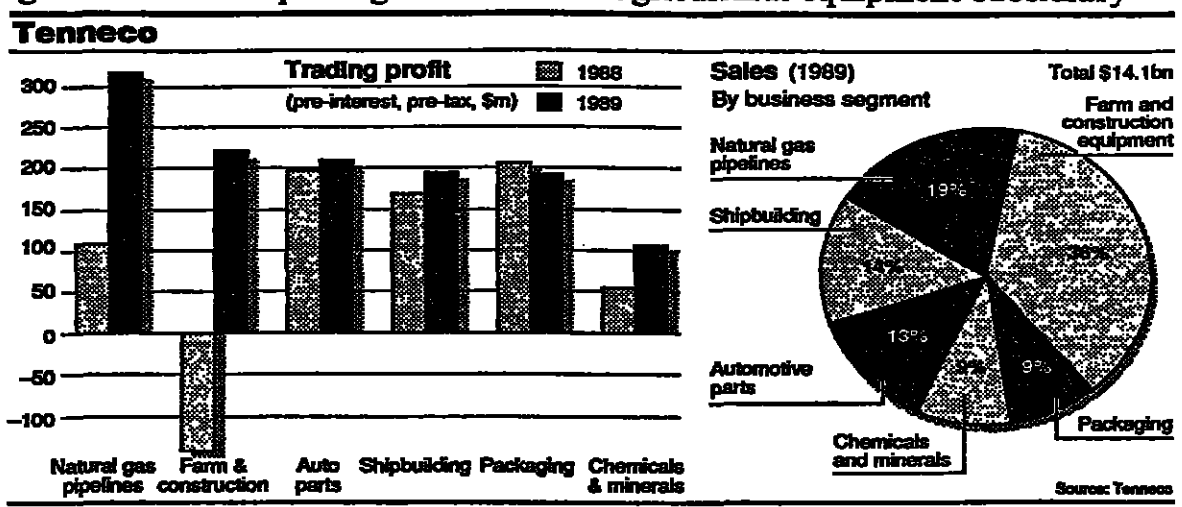
Corporate restructuring

Why Tenneco sold its foundations

Charles Leadbeater explains how the US conglomerate shook off predators — and shocked Texas — by disposing of its oil and gas division and putting its faith in its agricultural equipment subsidiary



Kenneth Reese



Source: Tenneco

Through the 1980s the company showed little return on the capital investment of almost $9bn it made between 1981 and 1985. The rate of return on common stockholders' equity trailed from a peak of 18.6 per cent in 1980 to 5.8 per cent in 1984 and a loss of 6.5 per cent in 1987.

The company became heavily geared as debt rose steeply to finance continued investment and losses. Short-term debt rose from £263m in 1984 to almost $2bn four years later. Long-term debt drifted up by more than $1bn to $6.2bn in 1987. This was set against equity of $3.7bn and preferred and preference stock of $435m.

By then the patience of shareholders and Wall Street was tested to the limit. Analysts raucously called on the company to revise its strategy, accusing it of being out of control despite layers of bureaucratic management.

The vultures began to gather. With the company's share price languishing at about $38, Tenneco's break-up value was put at $70 to $80 a share. A bid to dismember Tenneco became a real possibility.

In March 1988 the company responded to the mounting chorus of criticism by appointing Kenneth Reese, its executive vice president, to carry out a thorough review of the company's structure. He was given a mandate to leave no stone unturned — and took his bosses at their word.

Most expected the company to spin off some of the manufacturing interests, particularly agricultural machinery, in order to protect the core oil and gas business.

Reese says the figures simply did not add up. He estimated that JI Case was worth about $3.8bn, but Tenneco would have realised only half that from selling it. With the oil and gas division still making losses, Tenneco would have disposed of a prized asset to be rewarded with at best only a limited reduction in debt.

However, the oil division would still have been making a loss if oil prices had risen. The sale of the oil and gas division would raise more than £5bn, allowing the company to reduce debt, buy back some of its stock to prevent a takeover bid and stabilise the company's finances, Reese calculated.

Reese says: "A recommendation to sell the oil division did not go over real big with a company based in Houston, Texas."

Wall Street was taken aback by the announcement that the company was in effect staking its future on a marked improvement at JI Case, the agricultural machinery business which had lost money every year between 1983 and 1988.

Nevertheless, the sale went ahead in one of the biggest corporate auctions in Texan history. Chevron paid $2.6bn for Tenneco's oil and gas interests in the Gulf of Mexico, Petrofina paid $600m for Tenneco's south western business, while Mesa paid $715m for operations in Kansas, Oklahoma, Texas and Arkansas. Combined with purchases by Atlantic Richfield, Mobile, Amoco and Conoco, about $7.3bn was raised over three months.

With that, short-term debt was cut from $1.9bn in 1988 to $428m last year, while long-term debt was more than halved to $3.1bn. In addition, new management was brought into JI Case, with a determination to cut costs, improve quality and produce profits as well as tractors.

Reese reflects upon the traumatic experience — which involved swingeing cuts at its corporate head office — with equanimity. "It was like an internal leveraged buy-out without taking on all the debt and incurring all the fees. We were too leveraged. We sold a major business to reduce debt and refocus the rest of the group," he says.

He also recognises that the lumbering industrial giant had lessons to learn from the financiers which preyed upon the company and forced it to change.

Reese says: "We learnt a lot. We cannot continue to take on debt year on year. We cannot just continue with all our businesses regardless of the returns they make. Managers have to watch cash in and cash out. We have to pay attention to financial performance and return to shareholders as well as being interested in being good managers."

Reese still cannot understand Wall Street's love affair with leveraged bids, its apparent preference for clever financing rather than solid industrial performance. "A lot of the LBO skeletons are just rising to the surface from the depths of the lake," he says.

Yet he admits that the corporate raiders did play an important role in revitalising companies such as Tenneco. "A lot of things they did were for purely selfish reasons, for their own purposes," says Reese. "However, in many companies managers set themselves up to be attacked by a raider because they were more interested in being professional managers than delivering returns to shareholders. Not everything that the raiders did was bad."

Tenneco's performance has improved considerably. Last year it delivered a net profit of $584m, with earnings per share of $4.46. Its stock price has advanced to more than $65, leaving only a very narrow margin between the market price and break-up price.

But now that large leveraged bids have been discredited, what discipline will be in place to make sure that industrial conglomerates like Tenneco do not fall back into their bad old ways?

Reese admits that maintaining a sense of urgency is difficult, but he points to three factors. First, bureaucracy has been cut and management has been sharpened, he says. The test case will be the performance of JI Case. The company is making money, but is still yielding unimpressive returns on sales of $3bn. There is little room for further cost-cutting through factory closures in the US or savings in administration.

Having instituted sustained cost-cutting the company is working to improve its quality, after-sales service and reputation for reliability. Under the leadership of James Ashford, Case's president, the company is rationalising its base of more than 8,000 suppliers. This is where the deal with Cummins comes in: to secure a long term relationship with one of its main engine suppliers. Higher volumes from fewer suppliers should allow lower costs.

Tenneco is hoping the energy of Case's management will spread through the rest of the company, to meet ambitious targets set by central management. Significantly, the company is now stressing the achievement of financial targets where it might once have focused on industrial logic.

James Ketelsen, Tenneco's president, set these out in its last annual report: a 30 per cent return on shareholders' equity, to improve earnings per share by 15 per cent a year and to generate cash for capital investment and dividends. Reese says: "We have to make senior managers stockholders rather than just hired guns. We need to get the key people more deeply involved in the business."

Secondly, senior managers intend to take a more critical approach to priorities for investment.

Reese does not see any case for getting out of any of the company's remaining major divisions, including packaging, which was the only one to make a loss last year, and chemicals and minerals which accounted for only 9 per cent of turnover.

However, it will do more to move out of lower margin businesses within divisions and into higher margin activities. Ketelsen cites the sale last year of the automotive retailing businesses. The proceeds were used to acquire the shock absorber business of Armstrong, the UK engineering group.

Thirdly, Tenneco plans to internationalise its operations, especially through acquisitions such as Armstrong and the joint ventures it has formed with Bosch of West Germany and several Japanese groups including Mitsubishi. Reese says: "If we are going to be in a business we have to be global."

But in some areas, such as chemicals and packaging, that may be easier said than done. The rapid growth projected for the Pacific Rim and Europe will be a severe test of many US manufacturing companies. The size of their domestic market has lulled some into a complacent insularity, admits Reese.

Indeed, last year only 29 per cent of Tenneco's revenues and 25 per cent of its operating income came from outside the US. This leaves it extremely vulnerable to the state of the US economy.

Case's performance is improving, the natural gas pipeline business is delivering healthy profits and Reese says he is confident the Newport News shipbuilding business will hold up despite cuts in defence spending. He believes the company has a balanced portfolio of businesses, serving a range of customers with different spending patterns, from the US Government and farmers, to the large motor manufacturers and consumer industries such as food processing.

Whether Tenneco is well balanced enough to achieve the goals set out by Ketelsen is yet to be proved. But it is no longer under seige. For others such as Cummins, which found themselves so at odds with the financial fashions of the 1980s, that should be heartening news.

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TECHNOLOGY

X-ray dose turned up too high

Too many unnecessary X-rays are taken of patients in Britain, according to a study by radiologists and radiation protection scientists, published today.

The report, produced under the chairmanship of Professor R.T. Evans at the University of Wales College of Medicine, makes 21 recommendations for reducing exposure to medical radiation.

The first recommendation is that there must be a clinically valid reason for exposing someone to X-rays – a conclusion which advocates of mass screening will find discouraging.

A joint working party of the Royal College of Radiologists and the National Radiological Protection Board started work on the study nearly two years ago. It began with data suggesting that nearly half the collective dose to Britons of medical radiation might be unnecessary. The extra dose adds up to three times as much radiation as the UK population receives from all other man-made sources, such as nuclear industry activities.

The board, in its role as official watchdog on public exposure to radiation, knew from its own surveys that hospital X-ray dosage varied widely for the same kind of routine investigation, suggesting that doses were not always minimised.

The report's recommendations for better radiological procedures include keeping the voltage and current used to generate X-rays as low as possible, by attention to good beam collimation and short periods of intermittent fluoroscopy, and by dispersing anti-scatter grids where possible.

It calls upon the Department of Health to provide guidance for the purchase of X-ray equipment that helps minimise doses to patients. It says radiology departments should assess their priorities for introducing dose-saving equipment, while manufacturers should be encouraged to build patient exposure monitoring devices into their X-ray machines.

David Fishlock

* *Patient dose reduction in diagnostic radiology. HMSO. £5.*

David Fishlock follows the work of one of Britain's interdisciplinary research centres

Getting to grips with industry

Bruce Joyce, director of the most richly endowed of the 23 Interdisciplinary Research Centres set up so far by the British Government, has just abandoned one of his projects, despite the investment of about £150,000 in new equipment.

Joyce still believes the project was a good idea scientifically, but says his scientists failed to catch the spirit of interdisciplinary research. They failed to break down the traditional academic boundaries between physics, chemistry, materials science and electrical engineering.

His steering committee spotted the problem when reviewing his research programme after its first year. They left him in no doubt that they believed this project should be stopped.

The lesson, he says, is that academic scientists must be dissuaded from seeing IRCs merely as a new source of funds for whatever work they want to pursue personally. IRCs are a new way of doing university research – one with a target to meet and a director of research to satisfy.

Joyce says his over-riding goal is to build an internationally recognised centre for the science and technology of semiconductor materials. For him, however, the IRC method is not new. As a chemist he has devoted 25 years to science with companies willing to fund long-range research in his field, first Plessey and more recently Philips Research Laboratories at Redhill, Surrey. "Academic work at industry's expense" he calls it. "Nor do I accept that dribbling resources into man-and-boy efforts in a largely unstructured manner is more likely to produce important innovations, as some would claim."

The IRC is a new kind of laboratory, located on an academic campus but run independently of existing science and engineering departments, with its own director and students. It is one of several new mechanisms which the Government is developing to try to make science more responsive to the long-term, strategic needs of industry.

Joyce quotes Sir Sam Edwards, director of the Cavendish Laboratory, Cambridge University's department of physics, as saying: "Any comparison of university and industrial or government science brings out the awful fact that most of the white-hot spots in science are interdisciplinary and are weakly represented in universities."

Joyce was a visiting professor of physics at Imperial College, London, when the college made its proposal for an IRC for strategic research into advanced semiconductor materials, of the kind industry is likely to want in another decade or so. He helped draft the proposal, and the college nominated him as the director it wanted.

Both were accepted by the Science and Engineering Research Council as a London University IRC, shared jointly between Imperial College and University College, but based at Imperial College in west London. The IRC began work 16 months ago with guaranteed government funds for its first six years, totalling £13.5m.

This year, the IRC landed a half-share in a Japanese research contract – shared with Imperial's physics department – worth a total of £2.5m over five years. Other contracts bring its budget to about £3m a year, compared with a norm of about £1m a year for the other IRCs. Joyce also brought his own research and two research associates from Philips, backed by a corporate gift of equipment worth more than £600,000.

This IRC's speciality is growing crystals of semiconductor atom by atom from vapour of the constituent elements. Its long-term goal is to develop clean, low-temperature methods for growing new semiconductors with closely specified electrical properties. Its chief technique is called molecular beam epitaxy (MBE), a subject on which Joyce first published while with Plessey in 1966. Nowadays it needs an apparatus costing about £500,000. So far the IRC is equipped with three MBE machines.

The IRC consists of a team of 30, including two full-time academics, Joyce and Professor Ron Newman. They have started about 17 projects, of which Joyce is supervising six.

Bruce Joyce displays a molecular beam epitaxy machine

Other members of his five-man management team supervise their own specialities.

He stresses, however, he does not tell his staff what they must work on. As director, he limits his involvement to approving the direction of the project – which must fit in with the IRC's goals – and allocating resources. To remedy his self-confessed lack of management experience, Joyce also hired another senior Philips scientist as his administration and finance manager.

Every six months he asks project teams for short written reports on progress. "If they can't put it down in writing, I reckon they havn't done too much." He believes the discipline is important given the considerable amounts of public money involved.

Joyce believes the principles on which IRCs are founded to be basically sound for certain kinds of research. "But people have got to want it to succeed. If they don't, it can't work." It must be genuinely interdisciplinary research and it must be continuously assessed.

This means the director must be sure about the choice of project, the direction it takes, the rewards and expectations of success. It has to be acceptable to peer groups and meet international standards.

His steering committee is a mixture of academic and industrial scientists. Both he and his researchers know that the committee is "going to look at projects pretty damned critically every year." And in only four years it will be making the review that will decide whether the IRC continues to receive funds from its chief patron beyond six years.

The IRC is mainly located in the basement of the chemistry department at Imperial College, where a new suite of rooms has been commissioned. But in order to make the best use of his cash Joyce has contracted to use special facilities elsewhere, such as Sir Peter Hirsch's scanning tunnelling microscope at Oxford University, and the chemical beam epitaxy facility of the Philips laboratories.

A partnership between Joyce and Dimitri Vvedensky, reader in physics at Imperial College, blossomed this spring when Vvedensky landed a £2.5m contract from the Research Development Corporation of Japan. The contract, to run for five years, is shared between Imperial's physics department and the IRC, where Vvedensky is an associate director.

Vvedensky is a theoretical physicist who specialises in explaining mathematically just how a cloud of vapour crystalises into a semiconductor. With Sean Clarke he has modelled the birth of a crystal in the computer, and turned this into an animated video of atoms aligning like guardsmen drilling. Vvedensky has no doubt that this animation persuaded his Japanese friends to place their contract last March.

Overseas contracts are the future for this IRC once Serc ceases to be its principal sponsor, says Joyce. Japan is his main target. Already its companies are keen to send him post-doctoral researchers. Nippon Telephone and Telegraph seconded its director of physical sciences to the IRC for the summer.

Although IRCs are intended to transfer more science into UK industry, Joyce thinks it unlikely that that UK electronics industry will support a viable semiconductor research centre willing to look up to 10 years ahead. Already it is cutting its own long-range research, he says.

What he fears is that the UK electronics industry will try to persuade him to provide special services rather than a long-range research programme. He believes strongly that it will be a bad move, merely diluting the research. "I just won't tolerate that," he says.

Summit calls for Baltic clean-up

By Robert Taylor

THE BALTIC is the world's most polluted inland sea, according to environmentalists. This week's two-day summit conference of northern European governments in Ronneby, Sweden underlines the increasing political concern among the countries bordering the Baltic about the need to restore its ecological balance.

Sweden's Prime Minister, Ingvar Carlsson, claimed the meeting had achieved "an ecological breakthrough". For the first time, all the government's of the countries bordering on the Baltic, including the Soviet Union, were united in the need to draw up an action plan to resolve the Baltic's pollution crisis.

The tight timetable agreed on at Ronneby with implementation of most of an emergency clean-up programme by 1993 may prove to be unrealistic, but at least it looks as though there will be a genuine political commitment on both sides of the Baltic Sea to deal with its pollution problems. The World Bank, the European Investment Bank and the recently formed European Bank for Reconstruction and Development in Eastern Europe will play an active part in drawing up the plan.

The Swedish Environmental Protection Agency has estimated it will take as much as SKr30bn (£2.75bn) annually for the next 20 years to return the Baltic to the condition it was in during the 1950s. But it remains unclear this week just how much money national governments and the banks will be prepared to put into the Baltic project.

Moreover, it is now 16 years since the original Helsinki Convention was first signed which spotlighted the need for joint action to clean up the Baltic Sea. A commission has been in existence based in Helsinki since 1980 with the task of monitoring the state of the Baltic and co-ordinating research and regulations designed to reduce poisonous emissions into its waters. This week's Ronneby summit indicates a reinvigoration of an existing commitment to deal with the problem. But unless there is rigorous adherence to set out targets clearly to reduce pollution in the Baltic with an effective monitoring system, the impetus could well evaporate.

Nobody can really question the urgency of the problem, which mainly stems from the fact that the Baltic is a largely stagnant sea. Its waters are only completely renewable with inflows of saline water every 30 to 50 years. Low water temperatures and the absence of tides makes the Baltic particularly sensitive to pollution. Over the past 10 years, the concentrations of nitrogen and phosphorus, due mainly to the inflow of fertilisers from agriculture and industrial effluent into the surface water, has increased the area of the sea which is lacking in oxygen, leading to the growth of plankton algae as well as increasing the amount of hydrogen sulphide in the water. This has had a severe impact on fish stocks in the Baltic, particularly cod.

There has been some success in recent years in reducing the pollution in some parts of the Baltic with a noted decline in the levels of the poisonous chemicals, DDT and PCB, as well as a drop in reports of hazardous substances and metals flowing into the Baltic.

But the sea's ecosystem remains seriously unbalanced. The Ronneby summit reaffirmed the need to cut by half the emission of harmful substances into the Baltic by 1995 in order to reduce the impact of nitrogen on its waters.

In the view of the Swedish Academy of Sciences, the problem is as much managerial as it is technological, requiring a strengthening of national government capabilities and international co-ordination backed by adequate financial funding. But the impoverished economies of eastern Europe, which are the main culprits in polluting the Baltic, remain least able to contribute the sizeable financial resources the task demands. The lesson of Ronneby this week is that, unless there is a substantial international input from western countries, the Baltic will remain a seriously polluted sea for a long time to come.

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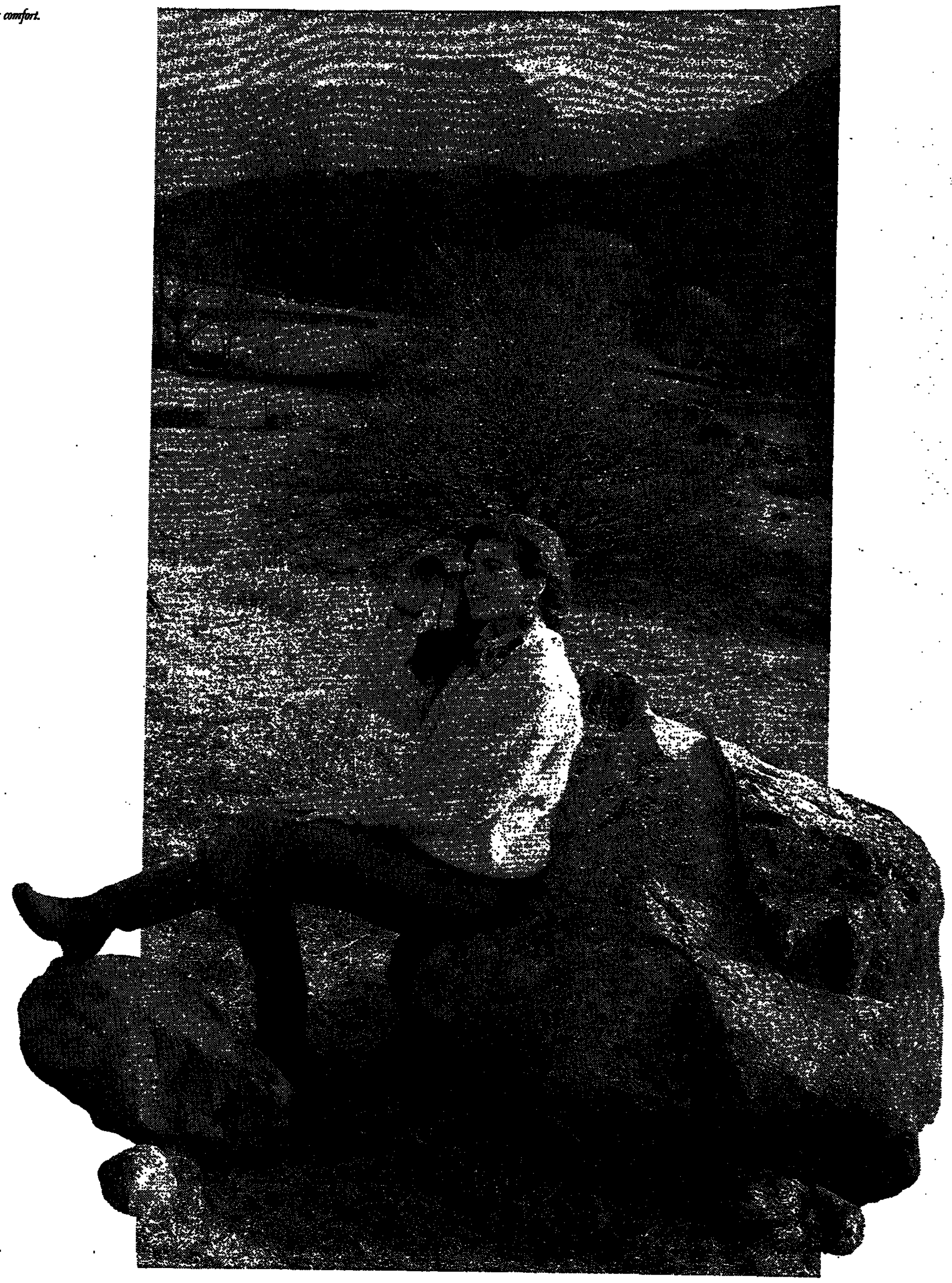
Joan Appleton... An outdoor girl looking forward to more commuting comfort.



Every year, Joan Appleton spends three weeks underground.

As a sales attendant at a world famous West End store, Joan Appleton depends on London Underground to get her to and from work. She has to be there at nine o'clock sharp each morning. Six days a week.

It's almost an hour from her home in Epping, 40 kilometres north-east. In a year, that makes over three weeks of travel time. "That's life in this part of the world," she shrugs. "I'm basically an outdoor girl. I love fresh air and open spaces. But if I have to spend that much time underground, I'd like it to be as comfortable as possible."

As much as comfort, she and her fellow passengers also appreciate punctuality: trains that run on time and don't get stuck somewhere along the line. Which, as Joan will tell you, hasn't always been the case. Europe's largest urban population is served by the world's oldest metro system, and it sometimes shows.

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TELEVISION

Of God slots and Grub Street

To every thing there is a season, and a time to every purpose under the heaven: a time to be born, and a time to die; a time to fill the schedules with junk repeats and a time to bring back the autumn faves. The ways of television planners are as immutable as the deity's, if somewhat more transparent. The season of mists and mellow fruitfulness is on us – in television terms perhaps better described as fog and over-ripeness. With Pavlovian predictability the BBC welcomes September with panicky recourse to established winners, among them *Bread* and *The Last of the Summer Wine*, a eucharist which we take in remembrance of the world's best broadcasting system now hounded by the most selectively destructive market forces since Goering ordered the Luftwaffe to spare Belgravia.

Alison Steadman as the star columnist in 'News Hounds' with Edwina Currie

Bread can be cast upon the waters – and flushed away as far as I'm concerned. Carla Lane's – what? Sitcom? Cartoon? Droolingly lovable working-class fantasy? – gives up any attempt to anchor its grotesques in some sort of recognisable reality, the prerequisite of all comedy, and relies heavily on a cast full of Characters with a capital C to breathe life into milk and water facetiousness. The days when adenoidal whimsy in a Scouse whine sufficed to set the table at a roar are long gone. At least we're promised that this series will be the last.

A happier institution is the utilisation of the Sunday God-slot with subjects of extra-religious interest. BBC 1's *Everyman* came up with a winner in *The Hangman of Lyon*, a chilling look at Gestapo collaborator Paul Touvier, arrested in 1989 for crimes against humanity after evading justice for 40 years through the good offices and unfailing protection of the French Catholic church. During this time he married and raised a family equally resigned to a fugitive life. Touvier shows no regret, not even for the killing of seven Jews with which he's specifically charged. Of the bland clerics who justified sheltering the renegade (and peacetime hold-up man), one compared himself to the Good Samaritan, another claimed Touvier had killed "physically, but under constraint" (where have we heard obedience to orders as a justification before?). Pompidou's secret pardon, the Archbishop of Paris' tacit endorsement of the sinister right-wing Knights of Our Lady, and the acquiescence of a frightening number of ordinary people remind us that the French still have to con, learn and inwardly digest the sorry chapter of their recent past.

If *The Hangman of Lyon* was worth the wider airing of a current affairs slot, Channel 4's *Out on Sunday* said little new in its survey of gay priests in the Church of England – though the well-meaning head-scratchings of our bishops, decent specimens of muscular Christianity, compared favourably with Gallic casuistry. The Rev Jim Thompson, Bishop of Stepney, was upstaged by a teddy bear in episcopal purple. Edinburgh's Dean of Divinity was beady-eyed and anti, the Bishops of Crediton and Chester more tolerant. The American author of *Dirt, Greed and Sex* (the religious work of a professor, not the latest from Jackie Collins) convincingly played down the purity laws in Leviticus which originally gave homosexuality a bad name, but was less convincing in reinterpreting St Paul. Salutary to be reminded that Thomas Aquinas considered masturbation more wicked than rape; touching to hear the Queen's Chaplain, a patently good man, confess that he might not have been ordained in 1951 if he'd been honest about the "marvellous gift" of the gay element in his nature. The statistics from an occupational psychologist that 20 per cent of gay clergy was "clinically depressed" was a dismal reflection on the witch-hunting with us again. It only needed sanctimonious and shallow waffle from Richard Ingrams (why?) to reaffirm that, deprived of the pulpit whence he dispensed schoolboy smut and pharisaic smugness, nobody would ever have heard of the ex-editor of *Private Eye* who should now be left to moulder silently.

"Pulpit Poofs to Stay" and "10 Ways to Spot One" screamed the tabloid cuttings dug up for *Out on Sunday*, endorsing the Swiftian bile and Hogarthian robustness of Les Blair's *News Hounds* (BBC1). Any suspicion that this rummage in the gutter press may overstate the moral squalor and arbitrary vindictiveness of some British tabloids may be dissipated by a quick glance at the rags in question. Blair's savage caper gave us the everyday story of Grub Street folk (on *The Brit* – substitute your own monosyllabic title), setting up a sex scandal with a cabinet minister, casually destroying families, boozing, fornicating and double-crossing in an atmosphere of quiet mutual loathing. Playing herself, Edwina Currie came over as bright, kindly and throughly nice, which gives you an idea of what the rest were like.

Blair's improvising style played into the hands of a parade of wickedly good actors led by Alison Steadman as the enamelled star columnist, her "my darling" less of a nervous tic than an ineradicable verbal appendage – "Bill please, my darling," as she absently put it to a waiter. Adrian Edmondson's seedy cockiness as the News Editor unhesitatingly taking sexual advantage of a drunkenly insensible reporter perfectly captured the sleaziness of our fourth estate, down to the lager froth on his weedy moustache. Beautifully observed moments (the odious News Ed not having anything to say to an old friend) alternated with savage caricature; but the caricature was worthy of Gillray. And the new gods who create and kill according to arbitrary whim no less than the ancient ones deserve nothing else. There are, after all, precedents for Fleet Street editors with the moral code of the stoat and the far-sighted vision of the dodo. Come back, come back, Lou Grant.

One constant, in and out of season, is the quality of British acting. BBC 1's *Yellowbacks* was let down by a limp denouement that made much of what had gone before look manipulative. But for most of its duration this glimpse of the near future, where high-risk categories for a certain disease (no prizes for guessing which: the endangered included prostitutes, drug addicts and homosexuals) are registered and rounded up, gripped the attention like a vice.

In the crumbling splendour (some allegory intended?) of a derelict hotel, the separate interrogations take place of a woman doctor and a homosexual academic, both contacts of an escaped carrier. In a week when evil of one sort or another has featured on the screen, the everyday banality of inhumanity was perfectly caught by Imelda Staunton's dumpy, unfeeling cosiness as one of the inquisitors. The brisk "Don't whinge, dear," as the woman prisoner (Janet McTeer, in wonderful form) vomits up the Chartreuse thrust down her throat, provides an answer to the great enigma of ordinary people caught up in monstrousness, the Buchenwald wardresses who went home to their families at night, normal housewives.

Staunton's bubbly comic gift of witty observation was frighteningly transformed into the constrictedness of cruelty. There's nothing large-scale about atrocities; they tend to be perpetrated by the stifled and petty. "Unloving, uneducated scum!" screamed a victim, spot-on. Staunton was matched by the unexaggerated psychopathic iciness of Tim Roth, a hypnotic presence on screen; and by Jonathan Phillips in the small part of young guard, cold blue eyes not yet glazed into inhumanity, but ideal blackshirt fodder. Bill Patterson and Ciaran Hinds made up the roll-call of some of the best actors working today. Roy Battersby directed remorselessly. An authentic autumn chill numbed the bones.

Martin Hoyle

Ruders' Symphony

ROYAL ALBERT HALL & RADIO 3

The Dane Poul Ruders emerged in the 1980s as one of the most distinctive of the younger European voices. His music veers between obsessive extremes with an uncompromising bleakness of vision, and his new Symphony, the last of this year's Proms commissions, which was unveiled by the BBC Symphony Orchestra under Michael Schonwandt on Monday, continues this discomfiting exploration of ecstacy and the abyss. Its subtitle, culled from Goethe's *Egmont*, signals the emotional range: *Himmelhoch jauchzend – zum Tode betrübt* – "Exulting to the heavens, grieving unto death."

"The inherited momentousness of the concept symphony' makes it a comprehensible, as well as fully justified, headline for an abstract, metaphysically loaded musical narrative" writes Ruders. Abstract the argument might be, but his 35-minute Symphony is so larded with allusion and quotation that some extra-musical programme seems only inches away from the surface at times. There are the classical four movements with the final pair, scherzo and funeral march, linked but in performance it suggests much more two independent blocks with the wild and unruly first movement complemented by the remaining three.

In a curious way much of the expressive musical argument is confined to that first movement, which teems with detail: there are quotations from Bach's *Christmas Oratorio* in its jubilant opening pages, and from a German Christmas carol in its reflective central section: "the ancient concept of Yuletide as happy, a harbinger of peace for all mankind," says Ruders, "Collides with our knowledge of modern Christmas deprived of innocence."

The point of reference here seems to be the Berg of the Three Orchestral Pieces, or perhaps of Mahler filtered through the Second Viennese School. The orchestral writing, including saxophone and synthesiser, is vivid, often surreal. Occasionally the same sensibility surfaces in the remaining movements, but the approach there is much more mechanistic. The slow movement sets up a static pair of related chords and subjects them to ten minutes of slowly changing colours and rhythmic adjustments, the finale squeezes the features of a funeral march out of a giant chromatic cluster, remorselessly stripping away the inessentials. Between them is the tiny scherzo, hollow, deliberately trite – music that never touches ground, literally or metaphorically.

It all charts a bleak spiritual journey, from territory in which all is possible and joy is just the reverse of the same musical coin as despair to a land, a "tundra" Ruders calls it, in which emotion is frozen out and only shadows of its former self can be recalled. Perhaps there is too much of the latter here, perhaps the music gives up too easily. But the glimmers of hope in the last pages, a final recollection of the Christmas carol from the first movement, suggests that Ruders' vision is not always quite as black as he paints it.

Andrew Clements

Musicals off-Broadway

When *March of the Falsettos* was produced in 1980, it was part of the declaration of independence of the gay community, exploring homosexuality as an extension of conventional relationships. In the course of the one-act musical, the marriage of Trina and Marvin breaks up for Marvin to take on a male lover and Trina to marry Marvin's psychiatrist, Mendel.

Billed as a sequel, rounding out William Finn's trilogy that started in 1978 with *In Trousers* (about Marvin's coming of age), *Falsettoland* at Playwrights Horizons is more like a revision of *March of the Falsettos*. It takes place only a year later, 1981, at the first inkling of a subject unnoticed the year before – AIDS.

The pride of newly-declared homosexuals gives way to the fright introduced here as "a trend that's very bad, something bad is spreading." Faltering on the racquetball court, Marvin's boyfriend Whizzer comes down with the still unnamed virus.

While AIDS dominates the totally-sung musical, it is introduced only halfway through the hour-and-a-quarter production. The rest of the time is spent on a more tenaciously fought, serio-comic conflict over the way to celebrate Marvin and Trina's son Jason's bar mitzvah.

The bar mitzvah is more than light relief: it follows the skein of normal life, just the kind of thing a divorced couple might fight over with some serious repercussions for poor Jason, caught between the feuding parents. Still, its comic potential is there, too: when Jason goes off the idea altogether, his estranged parents sing the duet, "Rather than humiliating her/Killing your mother is the merciful thing to do." While swinging a baseball bat, Jason daydreams about the unsuitable girls he *really* wants to invite.

The wonder is how much of the ambivalences, incongruities and preoccupations of our lives are dealt with. Scenes overlap and get filtered through the views of three couples – the third, neighbouring lesbians, one of whom caters for the bar mitzvah while the other is the doctor who diagnoses Whizzer.

Douglas Stein's utterly simple set, a red floor (with the three-piece band hidden behind the backdrop), allows smooth changes for the cinematically short and jumpy scenes that range over racquetball courts, kitchens, baseball fields, jogging tracks and hospital rooms. For the most part, the music services the lyric, but the occasional song stands out, particularly wistful or romantic ones.

Director James Lapine has re-assembled most of the cast of *March*, including a sympathetic but not unctious Chip Zien as Mendel and gratifyingly athletic Michael Rupert as Marvin. Danny Gerard is a winning Jason, while the women – Faith Prince as Trina, Heather MacRae as Dr Charlotte and Janet Metz as Cordelia – hold their own in this male dominated world.

★

Falsettoland represents the best of a surprisingly large number of thriving off-Broadway musicals. Musicals have so come to dominate Broadway that their modest off-Broadway cousins are barely visible, even at a time, admittedly between seasons, when half of the New York Times' off-Broadway listings consists of musicals.

The majority of productions are revues featuring familiar music in different settings or banged together as a paean to a composer; *Falsettoland* comes out of a repertory company that provides the composer continuity for ambitions unrecognisable in Broadway's preoccupation with glitter and the mass market.

Off-Broadway producers have also caught onto a way to beat Broadway at its own game by putting on musicals that failed in the glitter and mass market sweepstakes but deserve a chance on more modest terms. Stanley Brechner's Jewish Repertory Company follows last season's *The Education of H*Y*M*A*N K*A*P*L*A*N*, which played only in the company's 99-seat house, with *The Rothschilds*, which transferred for a long run to the larger Circle in the Square Downtown and the chance for the cast of 16 to be less than a sixth the audience's size.

The musical had the misfortune of starting life as the Broadway successor to *Fiddler on the Roof* for composer Jerry Bock and lyricist Sheldon Harnick. It was a hard act to follow, especially when similar themes of anti-Semitism, exile and family, are meant to evoke sympathy for Jews who could fill Tevye's milk jugs with all the jewelry in the Old Testament.

In the modest off-Broadway production, with a pretty turquoise-blue backdrop and spare props, even for the prince's palace, the values reassert themselves and the lavishness seems to occur off-stage somewhere. Sue Anne Gershensohn and Mike Burstyn do evoke sympathy as the matriarch and patriarch of the Rothschild fortune in a book by Sherman Yellen that extracts from Frederick Morton's collective biography the key financial decisions in the empire building.

This in itself is probably of more interest today than it was at the Broadway première in 1970: Meyer Rothschild's clever decision to deal in ancient coins to meet aristocratic collectors has more in common with *Other People's Money* playing round the corner than with *The Fantastiks*, the musical *Midsummer Night's Dream* that still remains from the earlier, psychedelic hippy era. Director Lonny Price matches the Rothschilds with equally attractive aristocrats in Allen Fitzpatrick, who plays them all, from Prince William of Hesse to Metternich.

A contemporary Broadway production would probably require a reenactment of the Battle of Waterloo, now that *Les Misérables* has not shrunk from the grandest possible grand finale. Going to the other extreme off-Broadway proves the viability of the intimate musical, which on Broadway *would* be an oxymoron.

Frank Lipsius

Legends of Evil

GATE THEATRE, W11

Legends of Evil is a product of the Altered States Theatre Company in Liverpool and opened at The Gate, in London's Notting Hill, on Monday. The performances are better than the play.

The setting is a mythical African country called Ananolay; the theme is its exploitation by colonialism, and subsequently tourism. *Legends* is not quite so crude as to say that all colonialism is bad, end of story, though it has a shot at that in passing. It adds that there is something in common between the explorers/colonialists of the past and the present day students who hike round the third world after university looking for experience. They simply cannot leave a primitive place in peace.

Moreover, the old exploiters and the contemporary hikers tend to be boy scouts behaving as men. They upset the local women who, in Ananolay, can turn on them and kill them with a magic pot: it might almost be a handbag. Politics is not much below the surface. British Governments, the play suggests, tend to go in for third world adventures either to divert attention from bad news at home or to keep out the French. A third reason is economic exploitation, which nowadays tends to be confined to the home base.

Legends is none too subtle, but quite good fun. There is a touch of Mother Courage in Etian, the local woman (played by Linda Dobell) who insists on dragging a Coca Cola stall around the plateaus of Africa. It is left unclear whether Coca Cola is a symbol of the best or worst of American imperialism. It is also manifestly untrue that today's hikers around the third world are exclusively men. Coherence is not the play's strong point.

Still, there is an outstanding performance by Carol Russell as Fingal, the earth mother of the mythical country. All six players do well and the piece is directed by Kate Rowland, who founded the Altered States Theatre last year. Anne Caulfield, the author, can write good scenes, but not yet a complete play. And there must be better subjects.

Malcolm Rutherford

Alastair Muir

Adam Hatzimanolis and Evdokia Katahnas in Mike Leigh's 'Greek Tragedy,' the result of the playwright's first foreign foray with his improvisational methods to Sydney, which arrived at the Theatre Royal, Stratford East on Monday via the Edinburgh Festival, where it was warmly reviewed by Martin Hoyle.

ARTS GUIDE

August 31-September 6

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's ocean-going 1930s musical has four or five marvellous songs and Louise Gold trying to emulate Ethel Merman. Jerry Zak's bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).
Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).
Barbarians (Barbican). Maxim Gorky play about the effect on a small Russian backwater of the arrival of two engineers whose mission is to establish a 'civilising' railway. Directed by David Jones (Wed, Thur). (638 8891).
Singer (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War (Wed, Thur). (638 8891).
Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb. (734 1166/439 3849).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (867 1119). Extended until January.
Henry IV (Wyndham's). Pirandello's cat's cradle of fantasy and reality, identity and time in a production by Val May the sobriety of which belies its pre-production high jinks. Richard Harris gives a star performance as the nobleman who thinks he is an 11th century king (867 1116).

New York

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Gypsy*. Contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Kabuki-za (541 3131). The highlight of the matinee at 11am is *Ise Ondo (The Dance of Death at Ise)*, based on an actual case of mass murder in the 18th century. The star of the 4.30pm performance is 73-year-old Gonjuro, who plays his famous role of a street swaggerer in *Edo Sodachi O Matsuri Sashichi*. Excellent earphone guide in English and English-language programme.
Noh. *Umegae (The Plum Branch)* is performed on Wed at 1pm in a double bill with a kyogen comic interlude. National Noh Theatre (423 1331). Most other noh theatres are open only at weekends.
München Kammerspiele. Goethe's *Faust* Part I (in German). This controversial five-hour production from Munich is described as inspiring and provocative. Nissay Theatre (Wed, Thur) (503 3111).
The House of Bernarda Alba. Lorca's tragedy of rural Spanish life is played (in Japanese) by a group of fine actresses and directed by Nuria Espert. Ginza Saison Theatre (535 0555). Opens Thur.
Be Here Now. Popular fringe group Daisan Butai in a new show. In Japanese. Bunkamura, Theatre Cocoon (5990 9999).
Phantom of the Opera (in Japanese). This highly successful production is a carbon copy of the London original, with the added advantage that one can ignore the banal lyrics, since they are in Japanese. Shimbashi Ebujoh Theatre (797 9601)
Hamlet (IV), directed by Andrzej Wajda and performed (in Polish) by members of the Stary Theatre, Cracow. Wajda's fourth production of the play emphasises meditation rather than action (much of which occurs offstage, so that the audience merely overhears what is going on). Tokyo Globe (360 1151).

SALEROOM

Mystery woman's effects

Sotheby's held one of its more intriguing sales yesterday – by order of the Treasury Solicitor. Mrs Dorothea Allen, who with her husband founded Spencer Corsets in 1927, died intestate earlier this year. She had been a recluse for many years and the object of much local gossip. Mrs Allen had done her best to disguise her age (she was 89 when she died), and her origins, and there was apparently no next of kin. After advertising in vain for heirs the contents of the house, Sutton Brailes Manor near Oxford, and Mrs Allen's personal effects – she had as many pairs of shoes as Mrs Marcos – found their way to Sotheby's.

The furniture and pictures were of no great artistic merit, but country house sales always attract keen bidding and the air of mystery about Mrs Allen undoubtedly stimulated demand. A George I walnut bureau bookcase of around 1720 almost doubled its estimate at £41,800 while an oak longcase clock, estimated at around £500, actually sold for £6,820.

The chocolate boxy pictures also did well. "Return of the privateers" by Frank Moss Bennett, showing pirates home with their spoils, doubled its forecast at £18,150 and "The leisure hour," depicting cardinals having tea, was equally successful at £16,500.

The highest price was the £66,000 paid for a 1972 Rolls-Royce Corniche Convertible Coupé, with just 29,000 miles on the clock and in excellent condition while a 1964 Daimler sold for £12,100.

Sotheby's quickly ran out of its 800 bidding paddles so great was the interest in the auction, with locals trying to secure a momento of the Big House. Sets of five silk cushions were going for four times estimate at £280, and the target for the day of £430,000 was soon exceeded.

Meanwhile in London Sotheby's disposed of some of Mrs Allen's more personal effects. Her underwear of the 1930s, much of it labelled Hermine, more than doubled its estimate at £1,485. Over fifty hats, designed by Dior and Molyneux among others, went for £792 and sixteen handbags for £770.

Away from Mrs Allen dolls were selling well in London, with a rare Emile Jumeau A-mould bisque doll, made in France around 1875, realising £19,800 and another bisque doll, probably by A. Thuillier, in its original pink dress of 1880, just on target at £17,600. A German golliwog made by Steiff around 1913 beat its forecast at £4,840.

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Tight controls on arms trade

WHATEVER its outcome, the Gulf crisis has already shown the urgent need for tighter control on the export of strategic materials to developing countries. One only needs to consider how helpless the West would now be if President Saddam Hussein had nuclear missiles trained on Europe to realise that this is now imperative.

Yet if the crisis has created a window of opportunity for reaching agreement on such controls, the more difficult question is that of how to organise them. Not only will this require the collaboration of the Soviet Union and China; it will also involve delicate decisions over what exactly constitutes sensitive material, who should be barred from receiving it, and how to treat "friendly" developing countries, such as Brazil, that are also involved in the trade.

These difficulties should not impede the search for controls that combine maximum effectiveness with minimum trade distortion. Best would be a system operated by a small number of countries which control the technologies and can collaborate more easily than a larger group.

CoCom, the Co-ordinating Committee for Multilateral Export Controls, provides some pointers as to how this could work in practice. It has been perfecting controls on East-West trade for decades, and, despite a few well-publicised leakages, has been much more successful than the separate, still embryonic international arrangements to prevent proliferation of missile technology and chemical weapons. Its system of controlled lists and its mechanism for internal consultation when a member is seeking an exemption from controls could easily be adapted to developing country trade.

Restricting access

The first task would be to prepare a list of restricted products and processes. This would not be the same as the existing CoCom list which is tailored above all to Soviet capabilities. To avoid accusations that the West is seeking to monopolise its own technologies for commercial gain, care should be taken to include only products or processes which are directly related to the development of nuclear and chemical weaponry.

Clear targets

Then there should be clear agreement on the countries which are to be targeted. Preferably, this list should be restricted to relatively advanced countries which are ruled by exceptionally unstable or brutal regimes or which are actually or potentially involved in significant regional conflicts.

This still leaves open the questions of diversion through third countries and how to involve the Soviet Union and China. The first could be resolved by introducing a second tier of friendly developing country manufacturers like Brazil. These would continue to enjoy access to most western technologies but only so long as they undertook not to pass them on to the primary targets. If they were found to be breaking that undertaking, they would come under the same direct controls as the primary targets.

Ideally the Soviet Union and China would form part of any new regime, but this might prove difficult because the new controls would then have to be strictly separate from the existing CoCom bureaucracy. Even then some western countries might object that the Soviets would gain too great an insight into the way the CoCom system actually works. In that case, or if either the Soviet Union or China itself was reluctant, they could simply be told that further relaxation of the CoCom restrictions against them was contingent on their introducing effective controls of their own on shipment of strategic materials to the developing world.

Given the continuing commercial attractions of the arms trade, it is unlikely that controls will be effective unless there is a degree of pressure attached to them. Even then, they may achieve little more than slowing down the development of nuclear and chemical capacity in the developing world and making it more expensive. Yet even that is preferable to the present situation in which certain developing countries can easily acquire the wherewithal to destroy their suppliers.

Kinnock bows to the law

MR NEIL KINNOCK'S speech to the Trade Union Congress yesterday was short on precision, but long on nuance. The Labour leader set out to minimise voter mistrust of his party by demonstrating that he is sound about defence and no pushover when it comes to the trade unions. In the nature of things he could not be totally convincing on either topic.

As to the former, he intimated that if force is necessary to implement the United Nations' resolutions on the seizure of Kuwait by Iraq, then Labour will not demur; he stated, however, that any action "should have the authority of the UN." This is a shade away from the perceived position of the Government, which has insisted all along that the use of force is not ruled out. The Prime Minister would prefer any military strategy to be authorised by the Security Council, but she has shown no inclination to deny herself the option of backing the US alone in circumstances that cannot at present be foreseen. Mr Kinnock would be wise to establish an equivalent measure of flexibility; he will have an opportunity to do so in Parliament tomorrow.

Change of tack

As to the trade unions, Mr Kinnock has brought both the TUC and his own party a long way. Monday's TUC vote in support of the Labour package of trade union reforms was a dress rehearsal for what is expected to be a similarly favourable vote at the party conference next month. The result is a significant change of tack. The British labour movement fought the 1987 election on the basis of repealing all "Tory legislation" restraining the activities of trade unions. It is now committed to the acceptance of a framework of law very like the one put in place by the Conservatives after 1979. It will fight the next general election on industrial relations policies that could without undue distortion be labelled "Thatcherite." There are grounds for disquiet about several important details in the Labour proposals, not the least of which are the likely rules for sequestration, and the basis upon which secondary picketing will be permitted, but there is no longer talk of returning the unions to the former extra-legal world in which they made up their own rules as they went along.

Declining membership

The Labour leader set out to convince the assembled general secretaries and presidents of assorted unions that this would be to their ultimate advantage, while asking the wider public to accept their embrace of the rule of law. Voters may draw their own conclusions. To those who recall with a shudder the pre-1979 excesses of some union officials there is comfort to be derived from the evident decline in the overall membership of Britain's trade unions.

Yet Mr Kinnock himself can do little to allay the fear that under a Labour government the TUC and its constituent parts would once again be allowed an inflated degree of influence. His party is still overwhelmingly dependent on the unions for funds. There are proposals to reduce the block vote commanded by trade union bosses at the Labour conference – probably from 90 per cent to 70 per cent – but there is no current prospect of abolishing it altogether. One reason is that the Labour leader depends upon the block votes of his supporters among the union bosses to keep his party under control. While Labour is too afraid of the possible militancy of its own constituency members to become a one-person-one-vote organisation, independent of union influence, its new image as a European social democratic party will remain blurred.

Mr Kinnock therefore still has much to do on the trade union front. Voters with long memories will ask themselves what would be the response of a Prime Minister Kinnock if a public sector union decided to challenge the authority of the elected government. The Labour leader has worked hard to dispel the impression that he might in such circumstances abdicate his own responsibilities, as did the last Labour Prime Minister to hold office. In opposition, he has persuaded the unions to bow to the law; his likely performance in government must remain an unknown.

If job mobility is to become a reality under the EC's harmonised labour market, workers must be better trained, writes **John Gapper**

Skills shortage stalls the workers' march

Each week, a handful of engineering workers who live on the northern coast of West Germany and are unable to find work there travel 800km south to jobs at the Mercedes Benz factory in Stuttgart. A shortage of skilled workers in the industrialised south, and the high cost of living, mean other companies nearby must offer subsidised accommodation to get workers to move to their factories.

In the European Community country most envied for the skills of its workforce, apprenticeships in the construction industry are less than half filled because of the shortage of young people. As the IG Metall engineering union consolidates a 35-hour working week for its members, economists warn that working hours will have to lengthen by the turn of the century to offset the burden of an ageing population.

The problems afflicting the German labour market – increased by the influx of 720,000 workers from the East last year – are less severe than those elsewhere in Europe. Most EC states would happily exchange their skills inadequacies and employment strains for Germany's. If the Federal Republic suffers this way, it shows how difficult it will be to reconstruct healthy labour markets elsewhere.

A set of problems and challenges face EC states as they grapple with the creation of a single harmonised labour market. There is a strong political impetus towards easing the movement of labour, and creating a workforce which can compete with those in the Far East and the US. The debate over how to do so is exposing not only national differences, but communal inadequacies:

● The persistence of long-term unemployment since the first oil shock marks EC states out not only from other Organisation for Economic Co-operation and Development regions, but other European countries. In spite of a sharp rise in employment in the late 1980s, EC unemployment still stood at 8.5 per cent – some 12.5m – in April. About 7m of those people had been unemployed for more than a year.

● Skill shortages have constrained employers in most EC countries over the past two years. The most serious shortages are of highly-skilled white-collar workers such as scientists, engineers and technicians. Labour productivity has been hampered by the need to make highly-qualified workers "trade down" into lower grade jobs.

There is talk of a 'big bang' in demand for skills meeting little response from inflexible labour markets

● The hangover from the post-war baby boom has started to squeeze the number of young workers while promising disturbing rises in the first quarter of the next century in the "dependency ratio" of workers to the non-working population. Europe is suffering as heavily as Japan and the US, and will be worse affected than countries on the Pacific Rim that have relatively youthful workforces.

● Employers' demand for skills is rising sharply as the intellectual content of goods and services grows and technology reduces the number of manual jobs. Managers, technicians and multi-skilled craftsmen will be in demand while labourers' and clerks' jobs will decline. The process is starting to exert pressures on education and training structures within states.

● Regional imbalances in labour costs and skills have become more marked over the past decade following the collapse of employment in the old industrial belts. Even within EC states, it has become hard for workers to move easily between regions because of disparities in housing and living costs.

These strains can be seen in varying degrees in all industrialised countries, but the EC faces two extra dimensions to its problem. The first is the persistent inactivity of its working age population. Only 59 per cent of those between 15 and 64 were in employment last year compared to 73 per cent in the US, and 72 per cent in both Japan and European countries outside the Community.

The second dimension is the EC's lack of consensus over how its labour markets should work. The political debate over the European Commission's attempts to harmonise labour regulation stems from this uncertainty. The EC is caught uneasily between the US model of labour market deregulation coupled with weak job attachment, and Japan's worker flexibility linked to job security.

The US experience of unemployment is less severe than the EC's – the average spell for an individual is currently 10 weeks compared to a year in France – and workers move more easily between jobs. Stronger job attachment in Japan – the average male worker there completes 2.6 jobs in a lifetime compared to 7.5 of an American worker – is combined with high skill levels and modest rises in unit labour costs.

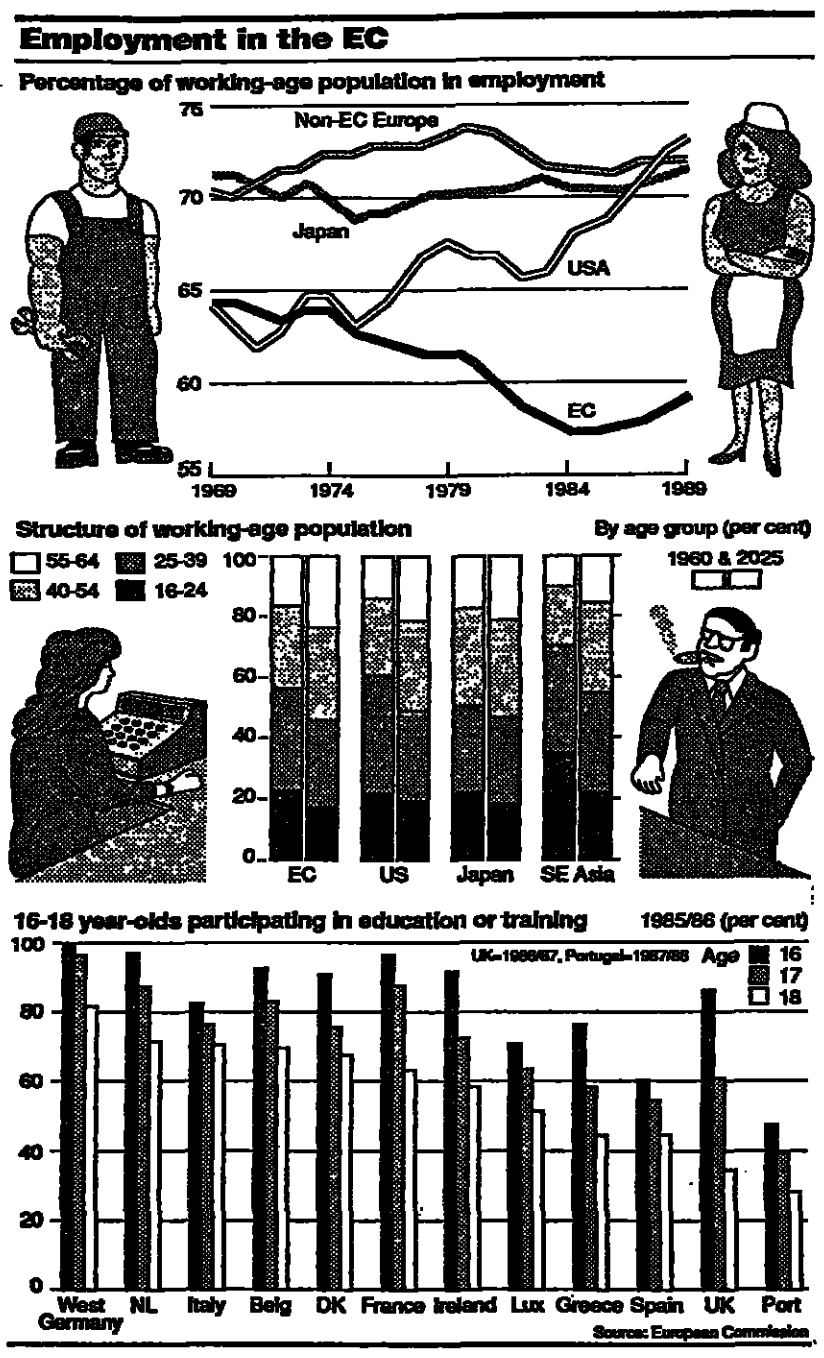
The EC is starting from a weak base and facing difficult labour challenges with no real agreement about what to do. The creation of a single market has concentrated debate on two questions. One is how to prevent the new mobility of capital levelling-down European wages by the "social dumping" of plants in low-wage countries. The other is how to achieve the free movement of labour.

Labour mobility in Europe until now has often involved flows of low-skilled workers in industries such as hotel and catering, or the movement out of depressed regions around the Mediterranean seen in the 1960s. About 2m EC nationals work permanently in an EC country other than their own, while perhaps 250,000 "frontier workers" commute to work across borders to work in another European country.

In the higher echelons of employment, there are examples of the mobile and highly-skilled workers sought by Nestlé, the Geneva-based food company, and others. Mr Dieter Gährling, head of management development for Volkswagen, the West German vehicle maker, says graduate recruits are far keener to work abroad than in the past. "They are eager to learn about the world, and that interests us as well," he says.

But many doubt whether large-scale labour mobility is achievable. Marcello Malentacchi was one of the migrants of the 1960s. In 1964, when he was 17, he moved from Tuscany to Gothenburg in Sweden to work at the Volvo plant there. Mr Malentacchi, general secretary of the International Metalworkers' Federation, says such moves only disrupt lives. "Mobility should not be encouraged," he says.

Helmut Maucher, chief executive of Nestlé, says technical changes in production coupled with movement of capital have led to a greater need for mobility from workers. But he argues that social insurance combined with workforce ageing is making individuals less and less willing to move. "There is more call for mobility than in the past, but there is less of it."



Worker mobility at the highest skill levels may be as much a world phenomenon as a European one. Mr Alain Hagelauer, chief financial officer of the French electronics group Thomson-CSF, says workers from 12 countries are employed at one of the company's research centres in Germany. The company is considering hiring data processing engineers from India and skilled engineers from Singapore.

The fear of social dumping has brought support from high-wage EC countries such as Germany and France for the principle of minimum working conditions being laid down by the Commission. But this fear is gradually being replaced by an opposing one – that the inexorable rise in demand for skills will lead to companies settling in central regions of the EC where skilled workers live.

Skill levels in Germany and the Netherlands are such that unit labour costs there were 2 per cent below those in Britain in 1987, although earnings were respectively 43 and 25 per cent higher. Thomson-CSF already draws a distinction between its robotised plants which can be located in areas of cheaper labour, and the research-based plants which need a sophisticated local skills base.

Some EC states have already made big efforts to improve vocational training of young people. France has raised the number of young people gaining vocational qualifications sharply over the past decade by offering technical courses to school-leavers who do not pursue academic studies.

But a comparable effort to raise workforce skills over the next decade will be made far harder by demographic change. No matter how well-educated school-leavers are, the stock of under-skilled adult workers will form an increasing share of the workforce. This has led to sharp debate over whether employers should bear the full cost of improving adult skills.

Unice, the European employers' organisation, argues that it would be too costly and inflexible to give workers a right to claim training from companies. But many states are unwilling to subsidise training for the adult employed – the British Government is resisting pressure from employers on newly-formed Training and Enterprise Councils to be allowed to use public funds for this purpose.

There is a growing fear that this impasse over responsibility for training, combined with the slowing of workforce growth, will leave too many European workers unfitted for the demands of employers. Mr Amin Rajan, a researcher who has studied European employment, talks of a "big bang" in demand for skills meeting little response from labour markets that are too inflexible to cope.

This doubt about whether Europe can match Japanese standards of work flexibility has led to some interest in the alternative US model. The strongest supporter of deregulation within the EC is Britain, which says it has the best record of job growth in the EC because it has pursued such policies. Some 3.5m additional jobs have been created in seven years, 1.3m of which are part-time.

Mr Eric Forth, the British minister responsible for European employment law, rejects as "nonsense" the idea that capital mobility into low-wage areas is harmful. He says countries such as Portugal and Greece need to offer low wages to give themselves a competitive advantage against more highly-skilled economies. "If you regulate against that you will just wipe out large numbers of jobs," he says.

But the quality of these jobs and workers provokes scepticism elsewhere in the EC. The European Commission remains ambivalent about "atypical" working patterns such as part-time employment because they are linked with low-skilled jobs. Mr Klaus Schnabel, an economist at the Institut der Deutschen Wirtschaft in Cologne, cites studies showing low productivity among British workers because they lack training.

Mr Forth acknowledges the European skills weakness, but says the willingness of German apprentices to accept low wages in return for being trained is a crucial element in its success. "It would be a brave man that said he was confident that Europe has the right skills to match the competitive environment. It is fairly obvious that Europe does not," he says.

The test of whether EC states with weaknesses in skills and training can prosper over the next decade will be where newly-mobile companies choose to locate. Mr Malentacchi of the IMF foresees more moving to the Pacific Rim, or settling in the area of Europe bordered by Frankfurt, Lyon, Munich and Milan. "They will move to find the the right skills rather than the right tax system," he says.

As technical demands increase, companies will certainly find it more difficult to seek out cheap labour. Mr Tim Epps, personnel vice-president of General Motors Europe, says GM has been able to set up plants in Mexico and Spain because it is one of "the largest educational institutions in the world." It remains to be seen whether it and other companies will be big enough teachers in the years ahead.

OBSERVER

Maltese style for UN

■ The first appointment made by the incoming president of the United Nations organisation in New York before he takes over this month has been – a spokesman.

Friends of Dr Guido de Marco the Maltese foreign minister, who is stepping into the job, say that says a lot about the man. He is a seasoned player in the political hothouse of the tiny Mediterranean island republic – a man who mixes nimble political footwork with disarming charm.

The UN president can cut an influential figure with delegates during his one year in office.

De Marco, who was a sought-after defence counsel before joining the government as deputy to prime minister Dr Eddie Fenech, has been in the eye of every Maltese political storm these past two decades. He is noted for his proclivity to nudge negotiations towards compromise – a philosophy he plans to take with him to New York.

As the Gulf crisis smoulders Demarco insists that a policy of appeasement always ends up being as dangerous as waging war. At the same time he views Iraq's invasion of Kuwait as being as much a transgression as Israel holding on to occupied Arab territories. "There speaks the tongue of a true compromise counsel", says one of his friends.

Delegates at the UN may find his gregarious manner deceptive. Demarco is known to play his cards close to his chest.

Foot talk

■ Whether you say "tomayto" or "tomahto," how do you pronounce Scholl when you want sandals or a corn plaster? Is it "skol" or "shoal" or "sholl"? Each version has its impassioned adherents.

The question will soon become as relevant to stockbrokers as to retail chemists. European Home Products, the UK-quoted company which owns the footcare brand outside North America, said yesterday it planned to change its name to Scholl.

It favours pronouncing it as "sholl".

But this is not a transatlantic divide on the lines of "shedule" versus "skedule". Scholl's US owner, Schering-Plough (pronounced "sharing-Plough") say that "sholl" is correct.

At least those who disagree need not fear the fate of the Ephraimites, Biblical victims of the original Shibboleth. The Israelite judge Jephthah asked escaping foes to pronounce the word. The 42,000 who said "sibboleth" instead of "shibboleth" were put to death.

Somehow I prefer a colleague's approach to such matters. "Skol if I read it", she says. "But in conversation I wait for the other person to say it first, and then follow them".

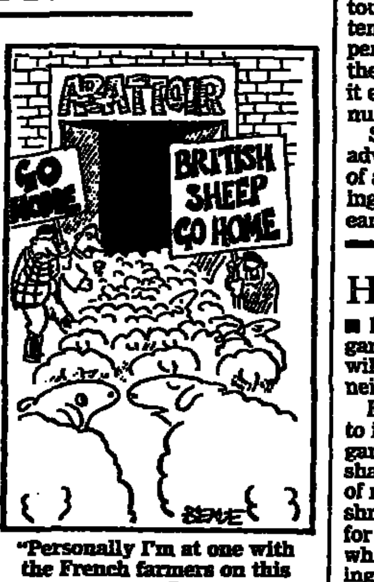
Three stream

■ BBC Radio 3, the serious music and arts channel, is having what it calls another "new look ". I think it means a new sound but we'll let it pass.

Channel controller John Drummond admits that the last time he had gone for new scheduling he got it wrong. Four hours of talks on a Friday night was, he conceded, a bit much.

Drummond is moving gingerly in the direction of the streaming of programmes. "It should be possible for listeners to switch on at any time of day and know what kind of programme to expect," he says. He is quick to add that Radio 3 won't become too predictable.

The popular morning concert at 7am will in future run seven days a week. In the evenings transmission time will be



"Personally I'm at one with the French farmers on this one"

extended to 12.30 am. There will also be a running series based on performances of a particular artist, such as Jacqueline du Pre, and music from each decade of the 19th century.

Though he is apologetic about his previous scheduling Drummond is combative on everything from the size of his audience to commercial oposition and allegations that he runs an esoteric and elitist service. "The only people who say that are those who never listen to Radio 3," he says, adding that a total of 5m listen to the channel for an average of 2¾ hours a week.

There is to be a new programme called Mixing It to attract a younger audience. But Drummond denies this means Radio 3 plans to have its own Rock show.

Desert Song

■ Rather than wring its hands, Jordan's ministry of tourism & antiquities pipes up sounding positively breezy about travel prospects in the Hashemite this autumn and winter.

It says there have been some tourist cancellations for September-October, "due to the perception that Jordan is in the midst of a war zone." But it expects the drop in tourist numbers to be "manageable."

Says the ministry: "We still advise those who are thinking of a trip to Jordan in the coming nine months to book early."

Home grown

■ Have you ever wished your garden provided a home to a wildlife more varied than the neighbours' cats?

For the town dweller keen to increase the fauna in his garden help has come in the shape of a series of collections of native British trees and shrubs from the British Trust for Conservation Volunteers, which is dedicated to conserving wildlife and the countryside.

The Bat collection, which includes silver birches, crab apples, hazels and hawthorn, is not positively guaranteed to bring bats flocking. But these trees do support insects which attract bats, says Conservation Practice, the commercial arm of the trust.

Nor can the trust actually promise that dormice will flock to your garden if you plant its Dormouse collection.But the little rodent does favour honeysuckle inter-twined in coppiced oak and hazel.

The Moth collection, meanwhile, comprises alder buckthorn, goat willow, blackthorn, silver birch and oak, all important food plants for moths.

Those who mix their gardening with a touch of chauvinism will be pleased to learn that all the trees on offer in Conservation Volunteer's latest catalogue are native-grown.

Untold talent

■ Seen in the back of a car in Dorset: "Employ a teenager while they still know everything."

World in wait for the wrong crisis

Steven Butler on why the West has limited options for responding to disruption in the oil market

The 11 members of of the *Organisation of Petroleum* Exporting Countries met in Vienna last week. After hard negotiations they agreed to *allow member* countries to produce as much oil as they could to make up for the loss of 4.3m barrels per day of *Iraqi and Kuwaiti oil* exports.

The International Energy Agency, which is responsible for co-ordinating the response of *21 industrial* countries to an oil shortage, met in Paris last Friday and did nothing. The obvious conclusion is that *Opec* acted *responsibly* while the IEA passed the buck. But this is probably an unfair assessment.

IEA inaction *followed a* month in which many energy consultants called for aggressive intervention in markets to *prevent* a speculative rise in oil prices. They argued that while physical supplies of oil looked plentiful, *speculative stock* building in a crisis would lead to artificial shortages and *unnecessarily high* prices that could damage the world economy. Through the early release of *government-held* stocks, the argument went, expectations of shortage would be diminished and any incentive to stock up would be *smashed*.

The IEA, however, has said that in the absence of a short*age of oil it would* not act, either by restraining demand or releasing stocks of oil held by member countries, which amounts to more than 1bn barrels. Market intervention by the IEA is untried and could have *unexpected* consequences. Indeed the IEA may be holding fire while it waits for the far worse crisis that could arise if war disrupts exports from Saudi Arabia.

The debate over IEA options *has* raised *fundamental* questions about why oil stocks were accumulated, and to what end *they* should be used. If *governments* are *not* prepared to drain off even the first barrel, have they spent taxpayers' money *on storage* in vain?

It is probably too early to answer this question, because one month after Iraq's invasion *of Kuwait the current* oil market crisis remains persistently murky. "We're looking at this in the dark," says a senior forecaster at a large oil *company*. The IEA seems ready to use stocks but prefers to wait.

Opec removed political uncertainty by lifting production restraints on its members, but the organisation's technical ability to replace Iraqi and Kuwaiti crude is doubtful. A decade has passed since Saudi *Arabia* and *Venezuela* tried to sustain oil production at capacity. While Opec countries say they may be able to replace nearly all the lost crude supplies, most observers believe *Opec* will fall at *least* 1m barrels a day *short of this target*. With winter approaching, this is potentially a huge gap.

Balanced against this is uncertainty over the short-term capacity in the US, *for example*, to produce a surge in *output*. Thousands *of small* oil operators on the US continent have an enormous incentive *to use expensive* production methods to get more oil into the market quickly.

Oil demand is equally opaque. "We don't know *what* the effect of $26 to $27 oil on demand will be," says the analyst. Higher prices *will be* unlikely to curb consumption significantly in the short run, but this is unproven. It is feared, however, that a jolt to confidence caused if consumers top up storage tanks to beat the *next price rise*, or queues at petrol stations, will outweigh efforts to conserve fuel.

Nevertheless, the sight of President George Bush *zipping* about on holiday in his gas-guzzling power boat, apparently unconcerned *about* supplies, may encourage consumers to take a relaxed attitude. In a television-dominated age, such images could have a far more powerful impact on calming public fears than anything the IEA may do.

The normal uncertainties involved in forecasting oil markets have, therefore, been multiplied. Comparisons with previous oil supply crises is also unenlightening. In 1979, for example, government-controlled oil stocks were much lower, and today significant spare production capacity is in place *to compensate for most* lost supplies.

But there is one important *difference. The world's* refining system is much less flexible than 10 years ago. This is caused by two *factors*: a 7 per cent decline in gross refining capacity since 1979 (before the loss of Kuwait's export refinery), combined with a worldwide shift towards consump*tion of highly refined light* products, such as petrol, or jet fuel. The Kuwaiti refinery, *with a capacity of 600,000 b/d*, had sophisticated equipment capable of producing light products and this upgrading *capacity is irreplaceable*.

It would be particularly valuable today because the oil likely to replace Iraqi and Kuwaiti crudes is chemically heavier. This oil would require intensive refining to produce the sort of fuels *that* consumers need. It is unlikely to be produced in sufficient volume to prevent a steep price rise for certain refined products in some markets – a situation that one oil executive finds *"quite worrying."*

Meanwhile, a surplus of heavy fuel oil that no one *really wants* could accumulate.

As it monitors this growing problem the IEA is helpless because stocks held in the industrialised countries are of crude oil, not refined product. An IEA move to discourage oil *consumption by switching* to coal or gas in power stations would actually be counterproductive *if* the market for heavy fuel oil collapses and discourages refiners from processing heavy crudes. The world has *evidently prepared* for the wrong crisis.

At a meeting of the IEA governing board *last* week, not a single member country wanted the IEA to release crude oil stocks – a view that was also *expressed unanimously a day* earlier at a meeting of the the IEA's industry advisory board.

Mrs Helga Steeg, IEA executive director, said after the meeting that the combination of increased supplies from the *Opec countries plus an anticipated* use of oil in storage by oil companies would see the industrialised world through until at least November.

The issue of whether the oil companies would draw on their own stocks during a *crisis* has been central to the debate over what the IEA should do. "No trader in his right mind is going to *sell* oil while *the Gulf* is on the brink of a holocaust," wrote the weekly Petroleum Argus, the oil market newsletter, *recently*.

Simple arithmetic, however, shows that if supplies are down, either consumption *must fall* or stocks must be used. Mrs Steeg estimated that worldwide companies reduced stocks by 300,000 barrels a day *in August*, and *that this* amount would rise significantly over the next two months. If this continues, however, *one oil company official* warns that companies may not have enough stocks as as winter approaches. *Even last year*, a *cold snap* in December caused a rapid rise in prices.

In effect the IEA is asking oil companies to *walk* the *plank* blindfolded, on assurances from the IEA that a safety net will be ready when they reach the end. Mrs Steeg was emphatic that the IEA was prepared to act, and she rejected a view that *strategic stocks* should not be used until oil could not be purchased at any *price*. The *IEA did not* appear overly concerned about the economic or oil market impact *of oil at $26 a* barrel.

But the IEA, on the advice of oil companies, has been intentionally vague on where the *plank ends or what sort of* safety net will be there.

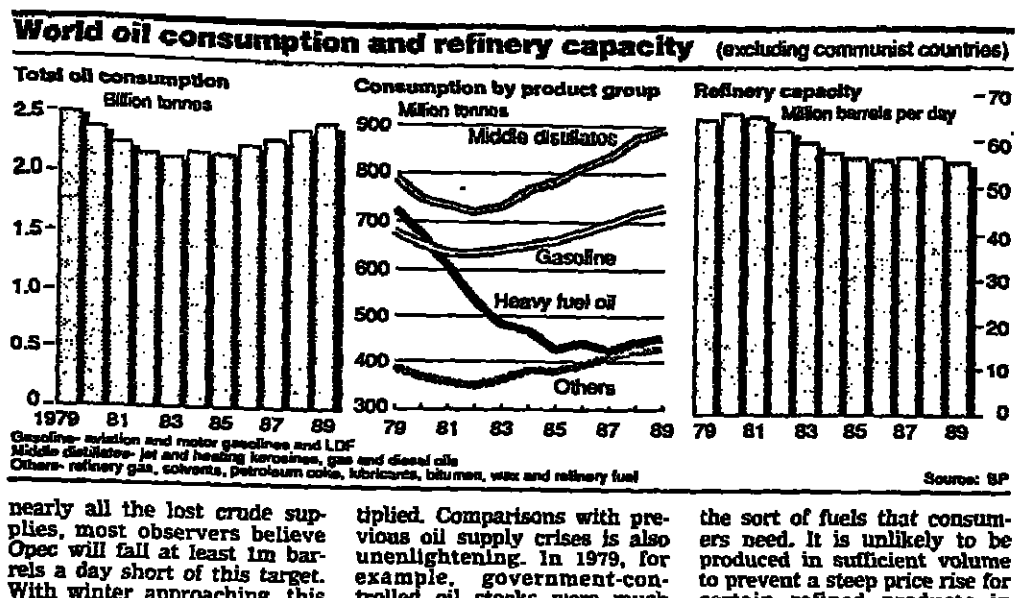
"We have not defined any special scenarios in which a mixture of measures would be warranted," said Mr Ulrich Engelmann, IEA president.

The IEA sees the uncertainties as too great for it to be able to define in advance a course of action, especially as *it might prove embarrassingly* inappropriate when the time comes. Even in the best of *times, however, when oil companies* reduce stocks, prices rise. As stocks fall in the absence of sufficient replacement supplies, prices must rise to a point where restocking is discouraged.

As companies grapple with market uncertainties, the IEA will continue to count up barrels of oil to see whether supply *can match demand*. At some point, well before the end of the plank, however, the IEA may find itself forced into action by soaring prices. It has so far dismissed high prices as being no more than the result *of mere "market psychology,"* unrelated to supply and demand fundamentals. Before long it may be forced to decide whether its purpose is to assure adequate supplies, or to promote market stability.

The IEA may be holding fire for the far worse crisis that could arise if war disrupts Saudi exports

World oil consumption and refinery capacity (excluding communist countries)



Gasoline- aviation and motor gasolines and LDF
Middle distillates- jet and heating kerosines, gas and diesel oils
Others- refinery gas, solvents, petroleum coke, lubricants, bitumen, wax and refinery fuel
Source: BP

Improving corporate governance

Independent directors with bite on the board

By Geoffrey Owen

How can large investing institutions in the UK and the US, with a *wide range of shareholdings* spread throughout the economy, exercise their responsibilities as owners? One approach, now being pursued in the UK, is for institutions to identify each year one or two badly managed companies and to put pressure on them to improve. This has its attractions, but it is not a complete answer.

In a useful contribution to the debate about corporate governance, two American law professors, Ronald Gilson and Reinier Kraakman, draw attention to the growing tendency *for large institutions* to give up the tracking of individual companies in favour of indexing – tracking the market as a whole. Investors of this kind, the authors argue, "neither can nor should adopt the tradi*tional owner's interest in* improving companies. Institutions with well-diversified port*folios cannot take such an* interest because they hold too many companies. Monitoring every company *would* mean sacrificing most of the transaction cost savings that accrue from indexing in the first place. Moreover, institutions should not take such an interest because they stand to gain *from it much* less than a traditional owner might gain. Many improvements affecting the value of one company in an indexed portfolio come only at the expense of other companies *in the portfolio*."

What matters for these investors is not action to improve individual companies, *but a system of corporate* governance which improves the performance of all the compa*nies in their portfolio*.

The authors review the recent efforts of some US institutions to intervene in the *affairs of companies in which* they hold shares. This intervention has usually taken one of three forms – moves to block attempts by managements to insulate themselves from hostile takeover, creation *of shareholders' committees to* improve communication between management and large shareholders, and the appointment of new outside directors.

It is the third of these approaches which the authors think points in the right direction, but their proposals go *much further than anything* which has been contemplated so far.

Under present arrangements *in the US and the UK the* independent outside directors are in theory elected by shareholders to *monitor the management*. But there are severe limits to their independence. First, they are in practice selected by *management* and are dependent on management for their tenure as directors. Second, most *outside directors in the* US "share management's ideological disposition towards the single issue most central to their monitoring responsibilities: that is, how intensely outside directors should monitor management. Most outside directors are chief executive officers of other public compa*nies; they are unlikely* to monitor more energetically than they believe they should be *monitored by their own* boards." Third, they are not "socially independent," often *being involved* in the same clubs and associations as the people whose performance they are supposed *to assess*.

Finally, the *authors* suggest that outside directors typically lack a strong incentive to mon*itor effectively. They cannot be* paid generously because that would undercut their independence. Yet any serious effort to monitor inevitably imposes large personal costs.

Thus from the institutions' point of view the typical outside director is not an adequate instrument for performing the *monitoring* function, yet the institutions do not have the capacity to do the job themselves. They have to delegate the task to outside professionals. The authors' solution is to create a new class of profes*sional outside director* who would have the time and skill to monitor effectively on behalf of shareholders, independence from management and the incentive to do the job well.

"Consider," the authors say, "a *50-year-old professor of* finance at a graduate school of business or a partner at a Big Six public accounting firm. Many of these individuals are likely to have the skills to monitor the management of a public corporation. The challenge is to design a position that these experts would will*ingly accept* and that would provide them with the time and incentive to monitor effectively. Now imagine that the *new position requires a full* time commitment and obliges each expert to serve on the *boards of six portfolio* companies. In this case an expert's annual compensation from board memberships might exceed $200,000, *the aggregate* of board fees, committee fees and fringe benefits that six large public companies would ordinarily pay to their directors. In all likelihood this sum would *attract* top business professionals without the need for additional compensation."

The authors argue that the professional full-time outside director would be far better equipped to perform the monitoring function than existing outside directors. They would need to constitute a "critical *mass" of the board*, but they would not displace full-time management directors or the traditional outside director. The board would have three groups – inside management *directors*, outside management nominees and professional directors.

"Any issue that divided man*agement and the professional* directors would leave the balance of power with the tradi*tional outside directors*. In effect, the traditional outsiders would assume a quasi-adjudicative function – a role that, unlike the monitoring function, they might be expected to perform capably."

The authors investigate the obstacles which might prevent institutional shareholders from introducing *professional* outside directors, and conclude that none of them are insuperable.

The proposal deserves consideration, The Anglo-American system of corporate governance is flawed. Any attempt to improve it has to take into account the composition and role of the board of directors.

Reinventing the outside director: an agenda for institutional investors. Working Paper no 66, August 1990, John M. Olin programme in law and economics, Stanford Law School, Stanford, CA 94305

LETTERS

Last in the losses queue

From Mr Peter Phillips.

Sir, The issue of insolvencies and customers' deposits, thankfully aired by you ("Managing Insolvencies" August 30), still badly needs radical attention. Having administered insolvencies for nearly 30 years it seems sadly clear to me that members of the public who lose deposits advanced to companies which subsequently fail are usually worse off than any other category of creditor.

- They have no priority ranking, as do government departments and employees.
- *They are not* protected statutorily, as are employees under the Employment Protection Act.
- They are not indemnified by the Investers Compensation Fund or Bank of England Protection of Depositors Scheme, as are arguably more sophisticated and voluntary participants in a *business* relationship.
- They receive no income tax relief on their loss.
- They receive no VAT bad debt relief on their loss.

A number of insolvency practitioners, as well as the Consumers Association, identified this anomaly during the submission phase in the 1980s, *which led to the Insolvency* Bill and the subsequent Act of Parliament. Those who found our representations unconvincing at that time may now be reconsidering the wisdom of that conclusion.

The *inequity is obvious*; many possible answers are available. For instance, we could *emulate* the US, *which* affords pre-preferential status to depositors of failed companies. It does seem difficult to understand why the UK Government should insist on first rights ahead of those it has arguably *refused* to protect. Compulsory bonding with criminal sanctions for those who neglect *this obligation* is very attractive.

Finally, what possible objection can there be to providing depositors with the opportunity for pursuing income tax and VAT bad debt reliefs?

This important cause needs a champion.

Peter Phillips,
Buchler Phillips & Co,
43-44 Albemarle Street, W1

Only here for the beer

From Mr Richard R. Dolphin.

Sir, Once, not long ago, there were three old breweries: Greenall Whitley at Warrington; Shipstones at Nottingham; Davenports at *Birmingham*.

Greenall Whitley never had much of a reputation for beer, but Shipstones was regarded in the East *Midlands* as a superb pint, sold only locally at a very keen price to a very appreciative public. Davenports' beers were not that well known, but their Top Brew De Luxe was a superb, strong, pale ale and recognised nationally.

The point was that consumers had a choice, and a very reasonable choice. The three brewers' pubs were idiosyncratic to their owners.

Davenports provided employment near central Birmingham and was nationally a respected contract canner for many well-known supermarkets and other brewers such as Watneys and Carlsberg. Shippos (Shipstones) also provided employment in Nottingham.

So what happened? Greenall Whitley took over Shipstones. It then took over Davenports. *It* then closed *Davenports'* canning and bottling line. Guess what? It then closed Davenports' brewing capacity. Now it is closing Shipstones' brewing capacity and, to top it all, its own brewing capacity.

Who gains? Maybe the shareholders – no one else. Do consumers have more choice? No. They have lost Davenports' beers. Now they are to lose Shipstones and Greenall's brands.

The consumers of Birmingham lose out. The consumers of Nottingham lose dreadfully – Shippos produced much respected bitter. The consumers of Warrington lose, too: they are going to have to drink beer made by Allied Lyons.

Do employees gain? No. Davenports's jobs *have* long gone. Now *Shipstones*'s and Greenall Whitley's are to go too.

Well, well. Perhaps Greenall's shareholders will gain. *Perhaps* Allied Lyons shareholders will gain. Otherwise everyone else loses all the way with Greenall Whitley.

Baron Davenport would turn in his grave.

Richard Dolphin,
Trans Continental Beer Can Exporter,
Foxhunters,
West Hatch,
Taunton, Somerset

A lesson for the Big Three

From Mr Michael Allen.

Sir, Your report on the United Auto Workers' bargaining platform (August 29) implies an aggressively "muscle-flexing" UAW is seeking unrealistic job security guarantees from "*suffering*" US auto companies.

While the "Big Three's" domestic market share may be shrinking, they could learn from Japanese competitors active in the US with whom the UAW has already negotiated a ban on layoffs during temporary difficulties.

Unlike Ford, GM and Chrysler, these companies have agreed to recall outsourced work, retrain employees, prune management salaries and seek voluntary layoffs before pursuing compulsory redundancies.

It is hardly surprising that Japanese companies are *placing* a more prescient emphasis on employee retention and retraining than companies which enjoy a conspicuously myopic and socially-irresponsible record on product safety, fuel economy and the social impact of plant closures.

Michael Allen,
35a Wilberforce Road, N4

Business as usual in Bahrain

From Mr Yousuf Shirawi.

Sir, In any situation as difficult as that in which the countries of the Gulf find themselves at present, I suppose there are to be exaggerations and errors of judgments on the *part of foreign commentators*.

One such misapprehension that worries me is the suggestion that the *alleged* flight of expatriates from the Gulf states is likely to impede seriously the development, and adversely to affect the management, of the region's larger-scale commercial and industrial projects. Some suggestions add, with certainty, that to recruit expatriates and restart *business projects* will be a nightmare and a future financial burden.

I can speak for no Gulf state *other than* Bahrain, but I assure you that for a long time most important industrial projects in the country have been managed by Bahrainis.

At the core of Bahrain's economy lies an oil industry, with its production, refinery, petrochemicals and gas programmes all functioning at full capacity. We do not know any expatriates within this industry *who have* left Bahrain since the crisis began.

Gulf Air, with headquarters in Bahrain, is carrying out its operations *normally*. The airline lost only 30 of its expatriate staff – mostly air hostesses with worried mothers – out of a *total* staff of 5,000.

Understandably, some recent expatriates who came to work for contractors and consultants in the *Gulf* were a little apprehensive, and delayed the start of their employment.

However, the big development *schemes* in Bahrain, *for* example, the aluminium expansion scheme (worth $1,500m, to double the capacity of ALBA) is going ahead on schedule. A total of 36 contracts for purchase and installation (worth $800m) were already awarded, and we are not aware of any delay or default on loans for those assignments, or a slow-down in the execution of the work.

Similarly, the modernisation and enhancement of capacity at Bahrain's airport terminal (worth $100m) is going ahead as planned. The third expansion of the cargo terminal was authorised this year to meet future needs.

Some of the offshore banks either withdrew or suspended their operations. This is understandable. We also understand that offshore banks are basically a funding *instrument* and, with an expected income of $150bn in a stable Gulf in years to come, will require annual *funding* and *recycling* – a process which could be only done in the Gulf. These facts should not be ignored by *the offshore banks that* left Bahrain and the Gulf.

We understand the anxieties of foreigners, especially those with families. We hope that any who may have left the region will return in time. But, happy as we shall be to see them, their absence will not deflect us from the path of development of self-reliance we have set ourselves.

For more than 60 years the Bahrain Government has invested wisely in human resources; because of past good house-keeping, we receive a healthy return on that investment in times such as these.

Yousuf A. Shirawi,
Minister of Development and Industry/Acting Minister of State for Cabinet Affairs,
State of Bahrain

FINANCIAL TIMES
Wednesday September 5 1990

LABOUR PARTY REPLACES PALMER

NZ premier faces stiff election test

By Terry Hall in Wellington

NEW ZEALAND has its third Prime Minister in just 13 months. Mr Mike Moore, 41, now has the formidable challenge of trying to rejuvenate the Labour Party's catastrophic slide in the opinion polls before next month's general election.

Opinion polls at the weekend suggested that Labour would win only 15 seats in the 97 member parliament if it went into the election on October 27 under Mr Geoffrey Palmer, the former premier.

Mr Palmer, 48, who was elected Prime Minister last August, resigned early yesterday in the face of a protracted battle by MPs who saw their only hope of survival in Mr Moore becoming party leader.

The opposition National Party have 40 seats, with the New Labour Party holding one. Labour has been in government since 1984, being re-elected three years later.

Mr Moore, who as Minister of External Relations and Trade has been tireless in promoting New Zealand abroad, has a traditional Labour background.

His parents ran a second-hand shop until his father died when he was six, when he went to a school for the destitute in Auckland.

Mike Moore: formidable challenge

Leaving school at 15, he worked as a labourer and printer, before becoming prominent in union and party affairs. He became the youngest MP in 1972, but lost his seat three years later. He was forced to take up labouring jobs and became a nightwatchman on a harbour dredge, and then a psychiatric nurse. In 1978 he was re-elected but contracted cancer from which he nearly died.

While he is a strong platform debater, readily identifying with traditional Labour voters, he will have to overcome a sense of distrust both from colleagues and voters because it is difficult to judge precisely where he stands, particularly on economic matters.

Mr Palmer's sudden decision to go was a surprise. He had said on Monday that he was "not a quitter" and would lead Labour into the elections. However, he found his support was waning among cabinet and backbench colleagues, with neither Mr Moore nor Ms Helen Clark, his deputy, speaking in his support.

He will not contest his seat in the elections.

Mr Moore switched from being a radical to someone who mixes easily with the country's top business people. He was an early supporter of the government's deregulatory economic policies, but is suspected of believing they went too far and lost humanitarian values.

In recent speeches he has attacked those in his own party and the opposition who want to cut unemployment welfare benefits. "I know these are needed. I know what unemployment is like: I've been unemployed. It hurts me beyond words to see the pain in this country."

He has also expressed concern at cuts in health spending, pointing out that he would have died if it were not for the free care he got in the 1970s, which is no longer so widely available.

There are suspicions that, given the chance, he would implement changes to the economy including lowering interest and exchange rates.

Ministers, including Mr David Caygill, the Finance Minister, yesterday rallied behind him. Most people think he has an impossible task.

Symbol of Korean demarcation is breached

By John Ridding in Seoul

MR Yon Hyong Muk, North Korea's Prime Minister, allowed himself a broad smile yesterday as he stepped from his limousine at Peace House on the southern side of the Korean border village of Panmunjom.

As well he might. Never before has such a senior official crossed the highly militarised border which divides the peninsula and which has remained one of the iciest symbols of Cold War conflict since the end of the Second World War.

Mr Yon's step across the military demarcation line for four days of talks could prove to be useful, if not a giant leap, in the process of bringing the two Koreas closer together after 45 years of almost total separation.

Behind the smiling faces lie substantial differences on most of the issues on the agenda for the exploratory meetings. North Korea wants bold moves concerning arms cuts and reductions in troop levels, while the South Koreans are insisting on confidence-building measures first.

Pyongyang is in favour of sharing a seat at the United Nations, a position which is dismissed by Seoul as impractical.

By the time Mr Yon holds his meeting with South Korea's President Roh Tae Woo, scheduled for tomorrow afternoon, his smile may be wearing a bit thin.

But in Panmunjom yesterday, Mr Yon was content to sip tea and chat with South Korean officials as his entourage of 33 aides and 50 journalists cleared their credentials. Sporting the slicked-back hairstyle popularised by Kim Il Sung, the "great leader" who has ruled North Korea since 1945, they talked shop with their southern counterparts.

North Korean Prime Minister Yon Hyong Muk (left) greets his South Korean counterpart Kan Young-Hoon at their historic meeting in the border village of Panmunjom yesterday

Just six minutes late, after nearly two years of painstaking preparation, a fleet of shining South Korean sedans and buses whisked them southwards to their luxury Seoul hotel and four days of unprecedented negotiations.

"As we cross the demarcation line, we regret that it has become a symbol of mistrust, hatred and antagonism," declared Mr Ahn Byong Soo, the North Korean spokesman. "Panmunjom should become a symbol of unification, not a symbol of confrontation and division of the fatherland."

But 45 years of propaganda have not been for nothing. "As we cross this line, we recall the young flower of reunification who also crossed the border last year yearning for unification," said Mr Ahn, in a thinly veiled reference to Miss Lim Soo Kyung, a South Korean student currently imprisoned under South Korea's tough national security law after spending some time in the North.

With the exception of the reference to such a sensitive issue – and a minor, almost inevitable, accident in Seoul's chaotic traffic – everything went as smoothly as the South Korean hosts could have hoped.

The only sad faces were worn by young South Korean girls, bewildered by the stampede of photographers as they tried to present their gifts of flowers.

Today will be occupied with further ceremony. But when the more substantive business starts behind closed doors tomorrow, proceedings are unlikely to be so smooth.

Gulf crisis hits chemical industry as naphtha prices rise

By Charles Leadbeater, Industrial Editor

THE EUROPEAN chemical industry faces extra costs of about $5bn a year as a result of the rise in naphtha prices since the start of the Gulf crisis.

In the past month alone European chemical companies are estimated to have paid an extra $400m-$500m for their naphtha supplies, the basic building block for petrochemicals and plastics, which is refined from crude oil.

The increasing cost of naphtha will squeeze chemical companies' margins because they will find it difficult to renegotiate long-term contracts which were based on the lower naphtha prices of the months before the Gulf crisis.

The price rise will eventually lead to higher prices for polyethylene, polystyrene and plastics used in the automotive, construction and packaging industries.

The rise in naphtha prices, which are closely related to oil prices, is one of the main sources of the gloom which has spread over the European chemicals industry since the Iraqi invasion of Kuwait.

Western Europe last year consumed about 37m tonnes of naphtha. Before the Iraqi invasion naphtha from Rotterdam was trading at about $150 a tonne. As oil rose so did naphtha, to about $340 a tonne at the end of last week. Naphtha was being sold yesterday for about $290 a tonne. Prices in Singapore are about $10 higher.

Ms Jenny Kent, a naphtha specialist at Platts, the UK price reporting company, said: "Prices are very volatile. They look as if they are heading back towards $300 or above."

The rise in oil prices was compounded by the loss of supplies from Iraq and Kuwait which hit Far Eastern chemical companies. Japanese chemical companies, which have been most affected, began to offer a significant premium to buy supplies from Africa and the Mediterranean accentuating the rise in European prices.

The European market was already relatively tight because the Soviet Union and Algeria, two of Europe's main naphtha suppliers, have cut production. European producers will be hard hit because 70 per cent of ethylene made in Europe is produced from naphtha. In contrast, US chemical companies use gas as the feedstock for most ethylene production, relying on naphtha for only 25 per cent.

The rises will particularly hit chemical companies such as Imperial Chemical Industries in the UK, and Bayer and BASF in West Germany which buy their naphtha at market prices. About £8bn ($5.8bn) of ICI's turnover of £13bn a year comes from petrochemicals and plastics which are sensitive to naphtha prices.

THE LEX COLUMN

A dry season for the markets

The turnover drought in UK equities is leading to suggestions that the stock market's pricing mechanisms might soon cease to function properly. Monday's £433m worth of deals was the worst since Christmas; yesterday's volume looked even lower. The lack of business is translating into sharp cuts in prices as market makers attempt to drum up business; the 19-point fall on the FT-SE 100 index yesterday had little other import. This trend should gather momentum with the flow of company results. The sudden 43p drop in Reckitt & Colman's shares ahead of tomorrow's figures was merely a warning of things to come.

The doubling of volume on the FT-SE index future contract to normal levels of around 4,000 is evidence that the institutions are keeping their investment decisions at the market level. That gives other investors little incentive to deal in individual stocks. There is no compelling reason to sell, while any buying ahead of what promises to be a bloody reporting season, let alone war in the Gulf, is unlikely to win medals for bravery.

German chemicals

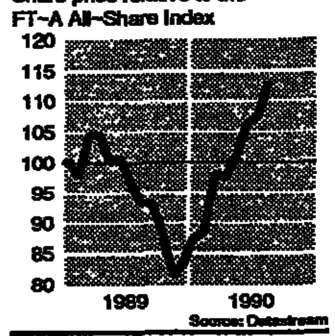
The 18 per cent drop in Hoechst's second quarter profits confirms its middle position in the trinity of German chemicals: not quite as fireproof as Bayer, whose second quarter was down only 14 per cent; but much more so than the classically cyclical BASF, down 31 per cent. It is all the more curious that the German market should still rate BASF highest of the three. But the market has always had trouble believing that the companies are distinct; and with all three now pretty certain to hold their full year dividends unchanged at DM 13, the market may have a point.

The three also share an incorrigible optimism. BASF was last week sanguine about the outlook despite facing a collapse in second half profits. Hoechst is positively seraphic. The economic trend in Western Europe is "still very good"; business development in coming months, despite Saddam Hussein, should exhibit "no appreciable change". The truth is probably slightly different: that Hoechst, like the other chemical majors around the world, has simply no means of forecasting the scale of change on the way.

But in one sense, Hoechst may have a point. Unlike most petrochemical producers it buys almost no primary feedstocks, but takes its basic chemicals like ethylene from the world market. It is therefore shielded from the rise in the naphtha price to the extent that ethylene producers are unable to pass it on. The way things are going, that could be a valuable bonus.

Bowater

Share price relative to the FT–A All–Share Index



Bowater

The stock market has given scant recognition to the efforts of the newish management at Bowater. Although relatively strong performers this year until yesterday's 15p fall, the shares have not gained much against the market since Mr Norman Ireland's team was formed in 1987. Yet there have been considerable changes at Bowater, to the extent that the first half year saw margins in the print and packaging division exceed the once unthinkable rate of 10 per cent, despite a dull trading background.

Not everything has changed. There is still the Australian timber and tissue business, which provided the main disappointment in yesterday's figures. That probably cannot be sold until the new tissue machine is up and running, which may take some time. Even so, the shares deserve to reach a market rating; but they are unlikely to do so while earnings growth is held back this year and next by the recent rights issue. A prospective p/e of 8¾ on pre-tax of £123m and a 5.7 per cent yield are enough to be going on with.

BOC

The abrupt departure of the head of BOC's healthcare division comes at an unfortunate time. Since the Gulf crisis blew up, the shares have been struggling anyway. The most obvious cause is BOC's traditional status as a dollar earner; but on top of that comes the expectation of weaker demand for industrial gases on both sides of the Atlantic, and indeed the lacklustre performance of the healthcare business itself.

It is certainly ominous that healthcare, supposedly the group's engine for growth, should have accounted for only 26 per cent of profit last year against 29 per cent back in 1985. Plainly, the latest events have something to do with the attempt to get the business back onto a growth track after a history of errors and misfortunes. But in view of the planned flotation of healthcare – still on the cards, apparently – it is a little unsatisfactory that there should be no guidance on the nature of the disagreement between the man who built the division up and his boss who is now left running it.

Sedgwick

If Sedgwick were not one of the world's big three insurance brokers and thus virtually bid-proof, it would be a sitting duck. It has not raised its dividend since 1986; and since the dollar/sterling relationship is now moving against it and the world's major insurance markets still show no sign of across-the-board price improvements, there is no pay-out increase in prospect for 1990 either. The measure of Sedgwick's plight is the ten-year history of its shares. After yesterday's 9 per cent drop to 181p, they have returned to the level at which they stood in September 1982: That was three years before Sedgwick's main strategic move, the Fred S. James merger.

It would be tempting to think the shares have fallen so far, including a drop of 43 per cent this year, that further downside is negligible. Though the dividend is not going up, neither is it dropping; so the prospective yield of 8.8 cent is safe. As for fundamentals, yesterday's interims showed an 8 per cent rise in Sedgwick's revenue, one of its best results since the mid-1980s: staff numbers have fallen 1 per cent since January: and its old war-horse, the E.W. Payne reinsurance business, has a chance of a profits kick-up in this winter's renewal season.

The trouble, as Sedgwick points out, is the world insurance industry's gross overcapacity. Until a great deal of capital has been burned away, Sedgwick's shares will deserve little more than suspended animation.

Futures market in electricity to be discussed by UK companies

By David Thomas, Resources Editor, in London

PROPOSALS for the world's first futures market in electricity are to be discussed today by the 15 electricity companies in England and Wales.

National Power, the largest of the electricity companies heading for privatisation, has called the meeting. PowerGen and Nuclear Electric, the two other generating companies, and the 12 regional electricity supply companies will also attend.

A market in electricity futures would complement the market for electricity which has been created by the Government's electricity privatisation programme. Electricity generating companies, supply companies, large industrial users and traders would be among potential participants.

Mr David Tolley, National Power's sales and marketing manager, said a futures market could help to stimulate a fully competitive electricity market. However, he stressed that no decision had yet been made to proceed and several difficulties had yet to be overcome.

Unlike most commodities traded on futures markets, electricity cannot be stored. Additional complexity would be introduced by the need to base a futures market on the electricity market, where prices will be quoted on a half-hourly basis.

Prices from the electricity market, known as the pool, are being published for the first time today by the National Grid Company, the pool's operator. National Grid hopes that publication of the pool prices will help to stimulate further interest in the newly competitive market.

However, enthusiasts within the electricity industry believe the problems can be overcome.

One possibility would be for the electricity companies to agree the shape of a futures contract with the London Futures and Options Exchange (Fox), which has been examining its own proposals.

The electricity companies are thought to be interested in forming a sophisticated futures market to deal with supply and demand, in particular when the supply contracts established in the run-up to privatisation are renegotiated next March.

Contracts covering about a fifth of all electricity generated in England and Wales will be affected, with a heavy slice of Nuclear Electric's contracts due for renegotiation.

Some regional electricity companies already have contracts guaranteeing them too much electricity at particular times of the day.

These contracts could be traded on a futures market, although few analysts expect such a market to emerge for at least a year until after the industry is privatised and the new pool has settled down.

Interest in the electricity market may be stimulated by the publication from today by National Grid of each day's pool prices.

However, many observers believe that the bare pool prices are relatively valueless without information on each power station's prices. National Grid said yesterday it was considering how to publish this information.

Li trial witnesses are given immunity from prosecution

By Angus Foster in Hong Kong

A NUMBER of prominent Hong Kong businessmen have been given immunity from prosecution in order to give evidence in the bribery trial of Mr Ronald Li, former chairman of the Hong Kong Stock Exchange.

Mr Michael Kalisher QC, for the prosecution, yesterday told the jury on the second day of the trial that some witnesses had been given immunity. He gave no names.

Mr Li has pleaded not guilty to two charges under the prevention of bribery ordinance of accepting an advantage in connection with the listing on the stock exchange of Cathay Pacific Airways and Novel Enterprises, a local garment producer, in 1986 and 1987 respectively.

Mr Kalisher yesterday accused Mr Li of lying to market regulators to cover up his corrupt actions. Mr Kalisher said that in November 1987, Mr Li met Mr Robert Fell, brought in as chief executive of the exchange after the October crash. During the meeting, Mr Li allegedly said he did not receive an allotment of shares in Cathay Pacific when the company was listed in 1986.

But Mr Kalisher said Mr Li did receive such an allotment as a reward for supporting the listing or not obstructing it. "He was lying because he knew he had been involved in a corrupt transaction," Mr Kalisher said.

Mr Kalisher said Cathay Pacific and its financial advisers were given approval in principle for the company to be listed on April 16 1986, by the stock exchange's listings committee, of which Mr Li was chairman. On the following day, Mr Li telephoned Mr Keith Holman, a merchant banker with Wardley, a subsidiary of Hongkong and Shanghai Banking Corporation and joint adviser to Cathay Pacific.

During the telephone conversation, Mr Li asked if shares could be made available to him from Wardley's allocated block. Mr Li was subsequently allocated 500,000 shares by Wardley. Because the issue was more than 30 times oversubscribed, and the share price went to an immediate premium, Mr Li was able to make a profit of HK$800,000 ($103,000).

The trial continues.

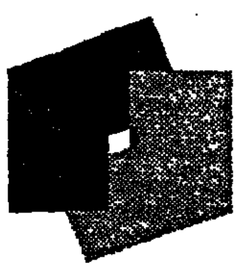
WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	27	81
Algiers	C	28	84
Amsterdam	F	17	64
Athens	S	28	84
Bahrain	S	36	97
Bangkok	F	35	95
Barcelona	F	27	81
Beirut		–	–
Belfast	F	15	59
Belgrade	F	20	68
Berlin	C	15	59
Biarritz	F	22	72
Bombay	F	30	86
Bordeaux	C	23	75
Boulogne	F	18	66
Brussels	S	22	72
Budapest	S	19	66
Buenos Aires	F	15	59
Cairo	S	33	92
Cape Town	S	23	73
Caracas	C	30	86
Casablanca	F	26	79
Chicago	S	19	66
Cologne	C	17	63
Copenhagen	F	16	61
Corfu	S	28	82
Dallas	S	23	73
Dublin	F	15	59
Dubrovnik	S	25	77
Edinburgh	C	16	61
Faro	S	28	82
Florence	F	28	82
Frankfurt	R	17	63
Geneva	S	24	75
Gibraltar	S	21	70
Glasgow	R	13	55
Helsinki	C	13	55
Hong Kong	T	30	86
Innsbruck	F	20	68
Inverness	C	14	57
Islamabad	R	27	81
Istanbul	F	22	72
Jakarta	C	32	90
Jersey	F	19	66
Johannesburg	S	17	63
Lima	C	17	63
Lisbon	S	26	79
London	C	18	64
Los Angeles	S	18	64
Luxembourg	C	18	64
Madeira	F	22	72
Madrid	F	30	86
Majorca	S	28	82
Malaga	S	29	84
Malta	S	29	84
Manchester	F	14	57
Manila	F	32	90
Melbourne	C	14	57
Mexico City	C	22	72
Miami	F	26	79
Milan	S	25	77
Montreal	S	14	57
Moscow	R	10	50
Munich	C	18	64
Nairobi	C	21	70
Naples	S	27	81
Nassau	C	31	88
New Delhi	R	26	79
New York	S	18	64
Nice	S	25	77
Nicosia	S	27	81
Oporto	S	22	72
Oslo	C	15	59
Paris	F	22	72
Peking	C	23	73
Prague	R	14	57
Reykjavik	S	8	46
Rhodes	S	28	82
Rio de Janeiro	C	32	90
Rome	F	26	79
Salzburg	C	15	59
San Francisco	C	16	61
Seoul	F	27	81
Singapore	R	24	75
Stockholm	C	13	55
Strasbourg	T	23	73
Sydney	S	16	61
Taipei	C	31	88
Tangier	S	29	84
Tel Aviv	S	30	86
Tenerife	C	27	81
Tokyo	S	32	90
Toronto	C	11	52
Tunis	S	29	84
Valencia	S	29	84
Venice	F	25	77
Vienna	F	19	66
Warsaw	F	15	59
Washington	F	21	70
Zurich	F	20	68

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

INSIDE

Elf Aquitaine advances 15%



The French state-controlled oil group, Elf Aquitaine, has raised its interim net profits by 15 per cent. However, underlying earnings fell slightly, adjusting for extraordinary gains and acquisitions. Net profits rose from FFr4.3bn to FFr4.9bn in the six months to June, on sales up from FFr72.8bn to FFr82.3bn. Elf also forecast an increase in net profit for the full year in spite of economic uncertainties caused by the Gulf crisis. *William Dawkins reports.* Page 22

Falling aluminium price hits CRA

Midway earnings at CRA, Australia's leading mining house, have been hit by falling aluminium prices and losses in the company's mothballed gold-copper operation on Bougainville Island in troubled Papua New Guinea. Yesterday the group announced a 27 per cent dip in interim earnings to A$269.5m (US$219.4) from A$370m on a 14.7 per cent revenue slide to A$2.19bn from A$2.57bn. The biggest setback came from the company's integrated aluminium operations, under the Comalco banner. Page 23

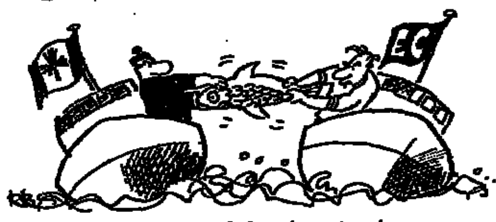
Summer sales drought

The McAlpine family has been in the construction business for as long as Bobby McAlpine (left) can remember. But never have conditions been so bad. Selling houses during Britain's drought ridden summer has been as frustrating as trying to sell umbrellas and rain coats. Andrew Taylor reports on the impact of high rates and a tighter economy on construction and building material companies. Page 29

Bond dreams go bad

Convertible eurobonds may once have been the stuff of which finance directors' dreams were made — low coupon payments combined with the promise of an expanded equity base. But as the bull market turns bearish, investors' jitters may turn this dream into a nightmare. *Hard-pressed UK companies face large one-off* payments as investors choose to redeem the bonds for cash. Page 26

High tempers on the high seas



Brussels is taking a defensive stand over accusations of villainy on the high seas. A simmering row with Canada over the size of fish catches in the north-west Atlantic looks set to flare again amid calls for further sharp cuts in the international fishing effort. The EC — under pressure from dwindling stocks in home waters — is likely to object to the cuts, reports Tim Dickson. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Aachener Muench	785	−	45
Bilfinger & Ber	873	−	27
Brown Boveri	800	−	40
Deutsche Bank	674	−	18
MAN	346	−	13
Zanders Fein	255	−	12

NEW YORK ($)

Rises			
Compaq Comp	47⅞	+	1⅝
McDonnell Doug	43⅝	+	1
USX	32⅞	+	¾
Falls			
Gen Electric	61¼	−	⅜
Pinnacle West	12⅜	−	3⅝
Sotheby's Hldgs	11⅞	−	⅜

PARIS (FFr)

Falls			
Dollfuss-Mieg	396	−	14
Gaumont (Soc N)	850	−	30
Matra S.A.	245.1	−	14.9
Sanofi	755	−	45
Seb SA	1070	−	70
Skis Rossignol	950	−	41

TOKYO (Yen)

Rises			
Daisue Cons	880	+	100
Nihon Tokushu	1810	+	250
Tokyo Depart	1580	+	140
Falls			
Hinode Kisen	520	−	60
Lonstal	510	−	54
Shochiku	3360	−	400

LONDON (Pence)

Rises			
Isotron	155	+	8
Polly Peck	291	+	6
WPP Group	530	+	10
Falls			
Attwoods	419	−	16
Bowater	488	−	15
Burmah Oil	511	−	22
Card Group	84	−	58
Delaney Group	12	−	5
Ercolo	48	−	10
Grand Met	542	−	16
Hillsdown	248	−	11
London & Met	28	−	6
Mercury Asset	505	−	30
RTZ	459	−	14
Racal Telecom	290	−	6
Reckitt&Colman	1138	−	43
Sedgwick	181	−	17
Sharks&McEwen	1405	−	38
Sharpe&Fisher	87	−	7
Sun Alliance	289	−	10
THORN EMI	611	−	12
Water Pk Uts 2	2190	−	43

Bührle: the chairman who dominated the group for 34 years

Chairman quits Oerlikon Bührle as Gulf takes its toll

By William Dullforce in Geneva

THE CRISIS in the Gulf yesterday brought to a head the prolonged agony of Oerlikon-Bührle, the Swiss industrial and armaments group, which has been trying for years to stem the losses of its military division.

Mr Dietrich Bührle, the chairman who has dominated the group for 34 years, and Mr Michael Funk, its managing director, announced their resignations. A task force of industrialists and bankers is being put together to "assist with the restructuring" of the group.

Mr Ernst Winkler, the finance director who takes over as managing director, said the Gulf crisis had brought a loss in sales of military products to the Middle East of between SFr250m ($191m) to SFr300m, although Iraq was not a client.

As a result, the Zurich-based group was heading for a consolidated operating loss of SFr60m ($45.5m) or more this year. Last year on a SFr4.7bn turnover it posted an operating loss of SFr41m, to which it added restructuring expenses of SFr577m for a net loss of SFr618m.

Oerlikon-Bührle, known worldwide for its anti-aircraft guns, has paid its shareholders only one dividend – in 1985 – in the past eight years. Its principal problem has been the Adats anti-aircraft guided missile system, the development and manufacturing of which has cost the group between SFr800m and SFr1bn. So far it has sold only 36 Adats units to the Canadian army and four to the US. The US army has repeatedly postponed an expected order for 250 units. Mr Winkler said the order would not be placed this year.

The military division recorded an operating loss of SFr120m last year and has been the object of restructuring for the past two years.

The UK armaments factory was sold and the missile production line is currently being transferred from Switzerland to Martin Marietta, Oerlikon's partner for the Adats project in the US. Earlier this year a reduction of 800 jobs was announced for the military division.

Mr Winkler said the military business had to be reduced faster. There was no buyer for it. He stressed that, with the exception of Oerlikon Industries, which was formed last November and specialises in systems and information technology, all the civilian divisions were in profit. They include the Bally shoe business with annual sales of more than SFr1bn.

The Bührle family controls 42 per cent of Oerlikon-Bührle's share capital and 44 per cent of voting rights. The family has shown a desire to sell its holding.

The leading light goes out

Michael Skapinker and **Ronald van de Krol** on Philips' withdrawal from a European chip project

When Philips still enjoyed financial health, it relished the chance to lead the European charge against the Japanese and Americans in the fields of computers, semiconductors and consumer electronics.

With the Dutch electronics giant facing a net loss of Fl 2bn this year, Mr Jan Timmer, the president, has decided that Philips can no longer afford its place in the van. Yesterday the group announced that it was halting pilot production of one megabit static random access memory (S-Ram) chips and resigning as the leader of a European project aimed at developing a new generation of S-Rams.

Philips is part of the fabric of Dutch economic life. However, yesterday's announcement drew a sharp reaction from Mr Koos Andriessen, Holland's economic affairs minister. He said he was concerned about the future of the Dutch micro-electronic industry, adding that Mr Timmer's measures "threaten to shrink the support base in the Netherlands for technological developments."

Many European chip executives endorse this view. They fear the consequences of Philips' partial withdrawal from the $5bn Joint European Submicron Silicon (Jessi) research initiative, set up last year to ensure that Europe retained a place in the world of semiconductors. Philips is Europe's largest semiconductor company and the continent's only representative in the world's top 10.

Outside the electronics industry, however, criticism from the Dutch Government can only win Mr Timmer admirers. Financial analysts in both Amsterdam and London have been waiting for evidence of Mr Timmer's willingness to slaughter sacred cows. Although the jobs lost represent only 10 per cent of Philips' European components workforce, S-Rams represented the group's commitment to staying at the forefront of chip technology.

Mr Roel Gooskens, an analyst at Van Meer James Capel in Amsterdam, noted that "Philips has realised that it can't be a front runner in all areas of technology." He pointed out that the Jessi project carried a high degree of prestige. "It's hard to imagine Siemens or SGS-Thomson dropping out of it. Previously, Philips wouldn't have done so either."

As part of the reorganisation, Philips' pilot S-Ram production plant in Eindhoven, built at a cost of Fl 100m ($56.3m) and equipped with machinery costing even more, will be shut.

Elsewhere, output in Hamburg, West Germany of image sensors will be curtailed. Production of semiconductor lasers in Nijmegen and in Taiwan will be halted, while Dutch-based production of liquid crystal displays (LCDs) for computer monitors will also end.

The Dutch Government put up Fl 190m towards the cost of developing the S-Ram chip in the 1980s and it has already earmarked Fl 60m for various projects sponsored by Jessi.

Mr Klaus Knapp, Jessi's spokesman, put a brave face on Philips decision to withdraw from the S-Ram project. He said that Jessi had 50 projects, ranging from research into high definition television to an attempt to establish common standards for computer aided design. Philips said yesterday that it remained committed to all these efforts.

Mr Knapp admitted, however, that the project from which Philips is withdrawing – the joint memory project – was one of the most important. It is headed by Jessi's three leading members: Philips, Siemens of West Germany and SGS-Thomson, the Italian-French chip company.

The three are the only European manufacturers with annual semiconductor revenues of more than $1bn.

Siemens heads Jessi's research into dynamic random access memory chips (D-Rams), while SGS-Thomson is responsible for the development of erasable programmable read only memories (Eproms).

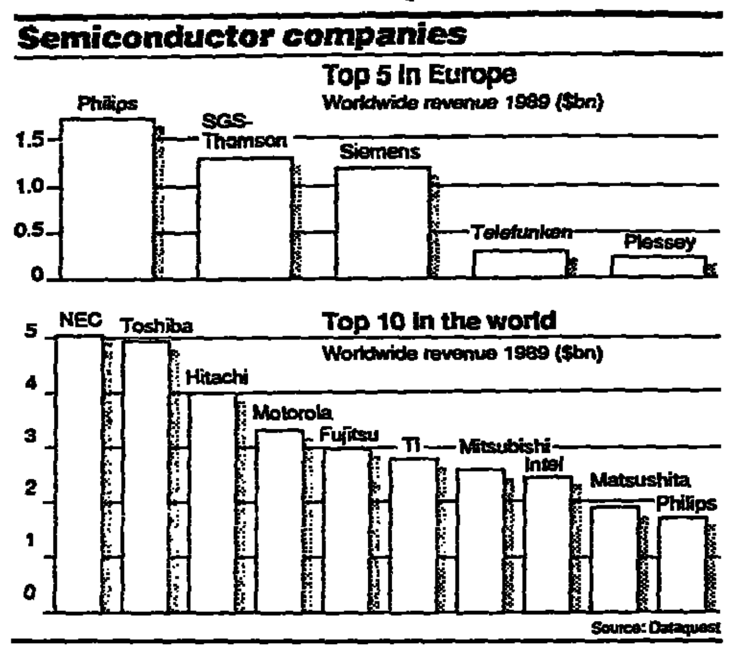
D-Rams are memory chips which need to be refreshed with regular electric charges in addition to the normal current. S-Rams do not require this additional charge. Eproms, unlike D-Rams and S-Rams, retain their memory when the power is switched off. Mr Byron Harding of the consultants Dataquest says that the European D-Ram market last year was worth $1.6bn, compared to $500m for Eproms and $400m for S-Rams.

In spite of its expensive research effort, Philips was still a small player in the S-Ram market. Dataquest's Mr Bipin Parmar estimates that Philips' S-Ram sales last year were only $3m. SGS-Thomson, by comparison, had European S-Ram sales of $49m, largely through its 1989 acquisition of Inmos, the UK semiconductor company.

While Mr Knapp insisted that all Jessi's other projects would continue, other European semiconductor executives thought that Philips' partial withdrawal was an ominous sign.

"This is a major blow," said one. "There are only three large semiconductor companies left in Europe and Philips is the largest. If it can't survive, what happens to the other two? It's not just Philips, it's the spirit of Jessi that could be lost."

Semiconductor companies



Source: Dataquest

First auction of Unity bonds fails

By Katharine Campbell in Frankfurt

WEST Germany's borrowing programme to finance unification suffered a setback yesterday with the surprise failure of the first auction of bonds by the country's Unity Fund.

The Finance Ministry yesterday rejected as too expensive all the bids made in the auction, which had been expected to raise about DM3bn ($1.9bn).

The development underlines worries about the costs of German unification and the difficulties of raising finance in a climate of rising interest rates, exacerbated by the Gulf crisis.

The Unity Fund, an off-budget route to cover some of the costs of German unification, has a DM20bn borrowing target this year and plans to raise DM95bn in the next four and a half years. It has raised DM8.5bn so far this year, DM2.5bn of which was issued through the traditional bank consortium on Monday and DM6bn sold through the consortium in July.

A Bonn spokesman said that the Government had no pressing need for funds and was confident it could finance itself at more favourable rates elsewhere. A high proportion of its borrowing needs for the year had already been accomplished, and tax receipts were higher than expected. Although no official details were given, market sources said that the rejected bids had been submitted at yields of between 9.05 per cent and 9.1 per cent. The failure follows an auction last week of short-term zero-coupon bonds for East Germany which also raised less than had been expected, with the authorities apparently only accepting bids of less than 9 per cent.

Most German banks had been adamant that a 9 per cent coupon on this issue of Unity Bonds was necessary to sell them to customers. They were disappointed on Monday when the consortium was offered a coupon of only 8¾ per cent. According to bankers, the new paper fell steeply in price within half an hour of the end of the meeting, as some consortium members rapidly unloaded paper on to the market.

The flop is also a blow to the experiments of the Bundesbank – the Government's auctioning agent – to introduce an auction system for its bond issues. But it was greeted with satisfaction by the German banks, supporters of the traditional issuing consortium, which have argued that the new auction system is risky in difficult market conditions.

The Bundesbank views the auction system as an important step in enhancing the international competitiveness of the German market, and has been promoting it in the face of opposition from many German banks reluctant to give up the hefty commissions they earned under the consortium system.

Hoechst suffers 13.7% drop in interim pre-tax profits

By Katharine Campbell in Frankfurt

HOECHST, the West German chemical giant, suffered a 13.7 per cent drop in pre-tax profits in the first half of 1990, blaming unfavourable foreign exchange movements of the dollar and yen and a squeeze in sales prices.

It is the third of the big three German chemical companies to report lower earnings. BASF last week announced a 31 per cent decline in second-quarter pre-tax profits, while at Bayer first-half profits fell by 9.5 per cent before tax. The three are likely to suffer further from higher oil prices.

Hoechst said yesterday that uncertainties about the outcome of events in the Gulf made a forecast for the rest of the year more difficult, but that overall the company foresaw no significant changes in the business environment.

Pre-tax profits for the first six months fell to DM1.82bn ($1.15bn), with the drop particularly marked on the overseas side. The second-quarter figure, at DM896m was weaker than the DM920m shown in the first three months of the year.

Group sales, 2.2 per cent lower than in 1989, amounted to DM22.4bn for the first half. Adverse exchange rates reduced the overall figure by around DM1.2bn or 5 per cent, and prices were on average 2.7 per cent lower than during the equivalent period a year earlier. Meanwhile, the first-time consolidation of Schwarzkopf and BK Ladenburg contributed 2 per cent to sales.

A combination of the weak dollar and slowing US economy meant that the North American contribution to sales was 15.2 per cent lower at DM4.42bn. This particularly affected the chemicals and fibres division, where sales fell 8.3 per cent to DM5.4bn. EC turnover, in contrast, was 6.3 per cent stronger, at DM11.95bn.

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● **Siliconix**, a US semiconductor manufacturer, has filed a plan of reorganisation under which a subsidiary of West Germany's Daimler-Benz would become a majority owner of the company, Reuter reports.

Siliconix filed for Chapter 11 protection under US bankruptcy laws in April. Under the plan, a unit of Daimler-Benz's AEG electronics subsidiary would acquire 80.1 per cent of Siliconix's shares and would guarantee promissory notes to be issued to general creditors.

US insurance rates hit Sedgwick

By David Owen in London

SLIDING US insurance rates restricted Sedgwick Group, Europe's largest insurance broker, to a 3 per cent advance in interim pre-tax profits from £65.9m ($128.5m) to £67.7m.

The group also warned that "the weakness of the dollar," coupled with the insipid market, "must have an effect on the group's performance for the remainder of the year." The shares tumbled 17p to 181p yesterday, just a penny above their 1990 low.

Mr David Rowland, chairman, said that "some limited change" had been seen in the London market during the first half but that in the US and elsewhere, "after an initial flat period, rates resumed their downward progress." This affected much of the medium-sized business sector and "we see the market continuing to be difficult," he added.

Group revenue for the six months to June 30 advanced by 8 per cent – or 6 per cent at constant exchange rates – to £374.5m (£347.8m). Interest and investment income was ahead by 4 per cent at £31.7m (£30.6m), despite lower US interest rates.

A £25.6m improvement in operating income to £342.8m was all but cancelled out by a £24.6m increase to £303.4m in expenses. "We are looking hard at our underlying expense base," said Mr Rowland.

The group said that EW Payne, its reinsurance brokerage arm, had "been active in adjusting to the changing conditions within the London market", resulting in increased earnings.

The unit raised operating income by 7 per cent to £47.8m (£44.6m).

Operating income at Sedgwick James, the international retail broking division, was ahead by 9 per cent at £225m (£206.6m).

The operation developed substantial new UK business in both the retail and financial services areas, while results in the rest of Europe improved, Sedgwick said.

By geographic region, the US and the UK continued to account for close to 80 per cent of operating income, despite strong growth in continental Europe, particularly Holland, Germany and France.

Continental Europe accounted for £9.9m (£6.8m) of the overall £67.7m figure, against £41.5m (£39.9m) from the UK and just £11.4m (£13.6m) from the US. The biggest decline from £2.1m to £0.5m was registered in Canada.

Earnings per share totalled 10.4p, against 10.1p – an increase of 3 per cent. An unchanged interim dividend of 4p was recommended.

Government blocks Carat and Eurocom media link

By George Graham in Paris and Alice Rawsthorn in London

THE FRENCH Government has refused permission for Carat and Eurocom, two of the country's largest advertising groups, to pool their media buying in France, but has left a door open for them to work together in international media buying.

The decision, by Mr Pierre Bérégovoy, the French Finance Minister, has important implications for the French advertising industry, which has come under intense pressure because of the aggressive expansion of Carat within the media buying market.

Carat, a subsidiary of Aegis, the UK communications company, is now the largest independent media buying group in Europe. Eurocom, which owns the Havas and Bélier advertising agencies, is a powerful force in French advertising.

Together, the two companies would have been the biggest force in French media buying. They estimate their combined market share at between 23 and 30 per cent. Their competitors, which claim their share would have been higher, lobbied strongly against their proposed union.

Both the French Competition Council and the Higher Broadcasting Council – consulted by Mr Bérégovoy – decided that Carat and Eurocom's combined buying power would have been excessive.

However, the French Government has allowed the two companies to pool their buying for international advertisers and in media spread across France and abroad. Eurocom said yesterday it was pleased the Government had opened the way for co-operation with Carat in the increasingly important international market.

Carat and Eurocom work together in some markets outside France, including the UK, Italy and Spain. The two companies are linked by a complex network of cross-shareholdings. Eurocom recently acquired a controlling interest in EWDB, the advertising network formed in association with WCRS, the UK agency once controlled by Aegis.

In the late 1980s Carat's expansion catalysed dramatic changes in the French media buying market. Advertising agencies have usually handled the buying of media for their clients through their own media departments.

The growth of Carat has forced other agencies to pool their media buying to counter its power. The agencies owned by WPP, the UK marketing group, and by Omnicom of the US have joined forces in the Media Partnership. The agencies belonging to Interpublic of the US are expanding their Publi-Média media buying operation.

The French Government is now conducting an inquiry into the condition of the media buying market.

This trend towards centralised French media buying is being replicated in other European countries, notably in Italy and the Netherlands.

Bowater up 19% due to improved margins

By Andrew Hill in London

BOWATER, the UK print, packaging, coating and laminates group, pushed up margins on its continuing businesses in the first half of the year, in spite of tighter economic conditions.

Bowater, which launched its successful bid for the specialist print company Norton Opax a year ago, increased pre-tax profits by 19 per cent to £48.4m ($94.4m) from £40.7m in the six months to June 30, on sales of £683m, up from £642m. Margins on continuing operations rose to 8.6 per cent from 7.8 per cent.

However, the group's shares slipped 15p to 488p in yesterday's weakening London market, following a cautious trading statement from Mr Norman Ireland, the group's chairman, and the sale of a long line of stock. Analysts have cut full-year profits forecasts to about £123m before tax, which would be a 22 per cent increase on 1989.

Earnings per share – up 2 per cent to 23p from 22.5p – were held back by May's £140m rights issue, and the issue of convertible shares to buy Norton Opax. An interim dividend of 9.5p against 8.5p was declared, in line with Bowater's rights issue forecast of a 21p-a-share full-year payout. However, Mr Ireland said high UK interest rates, the strength of the US economy and the Gulf crisis were reasons for caution.

The rights issue, and the earlier £113m sale of the group's builder's merchant interests, has helped reduce Bowater's gearing from 131 per cent at the end of the year, to 33 per cent at the interim. The cost of borrowing still cut £11.5m from Bowater's first-half operating profits, compared with an interest charge of £4m in the year-ago period.

Bowater has been boosting the proportion of its higher-margin packaging and printing business. The division's profits rose to £38.2m from £20.7m, and margins to 10.6 per cent from 9.4 per cent.

Coatings and laminates also increased margins, pushing up profits to £8.5m from £6.5m.

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Elf's underlying earnings fall midway

By William Dawkins in Paris

ELF AQUITAINE, the French state-controlled oil group, yesterday announced a 15 per cent rise in first-half net profits, but underlying earnings fell slightly, adjusting for extraordinary gains and acquisitions.

Despite the economic uncertainties caused by the Gulf crisis, Elf said its performance at the start of the current six months "should confirm an increase in net profit" for the full year. It made a FFr7.2bn ($1.4bn) net profit in 1989.

Reported net profits rose from FFr4.3bn to FFr4.9bn in the six months to June, on sales up from FFr72.8bn to FFr82.3bn. The rise in turnover was spread across all divisions: exploration and production; refining and marketing; chemicals; and health and bio-activities.

Published profits include a FFr650m capital gain from the sale of the La Seignurie paints subsidiary and the first FFr300m contribution from the acquisition of Orkem, the chemicals group purchased by Elf as part of the reorganisation of the French state-owned chemicals industry.

Stripping out those gains, underlying net profits fell to FFr3.95bn. Profits per share fell from FFr41 to FFr40. Cash generated from operations, net of explorations expenses, fell from FFr12.4bn to FFr11.6bn, but operating profits rose from FFr8.4bn to FFr10.2bn.

Operating profits in exploration and production rose by 24 per cent to FFr5bn. There was strong growth in production – most of Elf's reserves are in Europe and Africa – from 11.5m tonnes to 14.9m tonnes, but this improvement was eroded by the impact of the dollar's decline on Elf's French income.

Refining and marketing profits tripled from FFr300m to FFr900m, showing the fruits of earlier restructuring and efforts by Elf France to expand market share through the development of lead-free petrol.

In chemicals, reported operating profits rose from FFr3.4bn to FFr3.7bn, though the first-half result falls to just more than FFr3bn after taking out the gain from the sale of La Seignurie. Base chemical prices fell from 1989's unusually high levels, while US sales were hit by the slowdown in US economic growth.

Profits in health and bio-activities, which include Sanofi, the quoted pharmaceuticals subsidiary 50.7 per cent owned by Elf, fell from FFr700m to FFr600m, mainly because of exchange-rate losses due to the fall of the dollar and yen against other currencies. Sanofi's profits fell from FFr660m to FFr600m.

Slow audio market in US hurts Bang & Olufsen

By Hilary Barnes in Copenhagen

A SLOW market for audio and video equipment in the US has hit earnings at Denmark's Bang & Olufsen, with operating profits for the year ended May 31 down from DKr48m to DKr28m ($4.6m). Second-half operating profits were only DKr2m.

Sales were up 8 per cent to DKr2.27bn, of which 76 per cent were export sales.

Extraordinary income of DKr40m, mainly from the sale of Dikon, the group's telephone exchange equipment subsidiary, to a joint venture company with Sweden's Ericsson, boosted pre-tax profits from DKr49m to DKr68m.

An unchanged 10 per cent dividend, totalling DKr12m, was proposed.

An improvement in earnings was forecast for the current year, and results for the quarter from June 1 exceeded the budget, said the group.

The group's name will be changed at the coming shareholders' meeting to Bang & Olufsen Holding. A new company, Bang & Olufsen A/S, will be set up to take over the audio and video products business.

As announced previously, Philips, the Dutch consumer electronics group, will acquire a 25 per cent stake in B&O A/S, strengthening group capital by some DKr340m.

Higher operating earnings boost Ahold in first half

By Ronald van de Krol in Amsterdam

AHOLD, the Dutch food retailer which owns three major US supermarket chains, reported a 41.3 per cent surge in net profit in the 1990 first half, thanks to higher operating earnings, lower financing charges and increased contributions from non-consolidated companies.

Net profit jumped to Fl 126.3m ($71.2m) from Fl 89.4m in the 1989 period. Sales in guilders rose by only 1.1 per cent to Fl 9.5bn, but the company noted that the weaker dollar had reduced sales growth by 5.9 per cent. It also said net profit would have been Fl 4m higher if it had not been for the dollar's decline.

Sales in the US, where Ahold operates the Bi-Lo, First National and Giant Food Stores chains, rose 9.3 per cent in dollar terms to $2.3bn, outstripping a 4.7 per cent increase in Dutch sales to Fl 5.0bn. In the Netherlands, Ahold owns Albert Heijn, the leading supermarket chain.

Ahold is raising its interim dividend to a combination of Fl 0.60 and $0.15 in cash, from Fl 0.54 and $0.10 in 1989.

The company repeated earlier predictions that 1990 profits would show a substantial rise, though it added that growth rates in the final two quarters would not match first-half levels.

NEWS IN BRIEF

Ascom sees rise in sales for 1990

ASCOM HOLDING, a Swiss telecommunications company, says it expects higher profit and sales for 1990, Reuter reports.

In 1989, the company had group net profit of SFr50.7m ($39m) on consolidated sales of SFr2.65bn. In the first half of 1990, sales rose 8.8 per cent to SFr1.35bn from SFr1.24bn in the year-ago period.

■ BCE Development, the property arm of Canada's BCE conglomerate, says continuing problems in its US portfolio and accounting changes brought a higher first-half loss at C$38m (US$33m) against C$35m a year earlier, writes Robert Gibbens.

BCED expects to report continuing losses until a restructuring is completed.

■ Havas, the French media and tourism group, is to list its stock in the US through the use of American depositary receipts, AP-DJ reports.

Court picks Cogespar to buy Tuffier for FFr156m

By George Graham in Paris

COGESPAR, a financial services company headed by Mr Francis Lagarde, has been picked by the Paris commercial court to take over Tuffier, the stockbroking firm which filed for bankruptcy in July.

Cogespar, which is backed by Altus Finance, a subsidiary of Crédit Lyonnais, will pay FFr156m ($30m) for Tuffier's assets – essentially its client base – and has agreed also to contribute FFr135m to reimburse clients on top of the FFr200m likely to be paid from the official stock exchange guarantee fund.

Mr Lagarde will keep 129 employees, 29 more than he had undertaken to hire but less than half Tuffier's workforce at the time of its bankruptcy.

The French Stock Exchange, which was one of Tuffier's largest creditors, agreed to renounce 90 per cent of the FFr109.6m it was owed. The Caisse Centrale des Banques Populaires, one of Tuffier's major shareholders and a candidate for taking over a part of its business, also agreed to renounce 80 per cent of the FFr140m Tuffier owed it.

Reimbursements from the stock exchange guarantee fund to customers who lost money through the stockbroker's failure are limited to FFr2.5m per customer, with an overall maximum of FFr200m, which also happens to be the current total size of the guarantee fund, set up last year. Payouts are expected to reach the FFr200m limit easily, thus wiping out the infant fund.

Cogespar was the only candidate for taking over the entire Tuffier operation, though other bids were filed with the commercial court for individual business segments, especially the private client operations. But Mr Jean-François Hénin, chairman of Altus, said last week that the aim was to sell some of Tuffier's assets if the bid succeeded.

Chrysler seeks European partner

By Martin Dickson in New York

CHRYSLER, the US vehicle maker, is talking with several European companies – including Fiat of Italy – in the hope of finding a partner to co-operate on vehicle development and distribution, said Mr Lee Iacocca, the company's chairman.

His remarks, in a newspaper interview, follow months of industry speculation that Chrysler was negotiating a new partnership with Fiat. However, Mr Iacocca indicated it was unlikely that any agreement would lead to a European company taking a large stake in Chrysler.

This was both because the US company did not need an injection of cash – it has some $4.5bn, one of its highest liquidity levels ever – and because prospective investors would be wary.

He indicated that any pact would probably start by concentrating on areas where Chrysler was particularly strong, such as its Jeeps, which are leading contestants in the US four-wheel drive market, and its minivans, family vehicles with the size of a small van but with the handling characteristics of a car.

Alone among the big three US car makers, Chrysler does not have mainstream European car manufacturing operations of its own, although it is setting up a minivan assembly plant with Steyr-Daimler-Puch in Austria. In June Chrysler cancelled a joint project with Renault of France to make a small new Jeep, the JJ. There has been speculation that Fiat might become its new partner in the project.

Morris/Suchard deal completed

PHILIP MORRIS, the US foods and tobacco group, said yesterday that its tender offer for Jacobs Suchard shares had given it 92 per cent of the Swiss group's voting rights and 85 per cent of its equity, Agencies report.

The ordinary acceptance period for the previously announced tender offer for Suchard shares expired on Monday. Philip Morris owned 62 per cent of the Suchard voting rights and 28.4 per cent of equity from its acquisition of Colima Holding, Mr Klaus Jacobs' holding company.

INTERNATIONAL COMPANIES AND FINANCE

CRA down 27% at halfway stage

By Bruce Jacques in Sydney

CRA, Australia's leading mining house, has been hit heavily in the first half to June by falling aluminium prices and losses in its mothballed gold-copper operation on Bougainville Island in troubled Papua New Guinea.

The company yesterday announced a 27 per cent midway earnings dip to A$269.5m (US$219.4) from A$370m on a 14.7 per cent revenue slide to A$2.19bn from A$2.57bn.

Cash generation was down markedly to A$479m from A$787m and capital expenditure was reduced to A$282m from A$369m.

The biggest setback came from the company's integrated aluminium operations, under the Comalco banner, where the earnings contribution fell to A$56.8m from A$120.7m.

Copper-gold operations tumbled to a A$16.9m loss, from a profit of $26.3m, mainly reflecting the Bougainville closure.

Some of the deficit was made up with a rise from A$102.9m to A$139.3m in contribution from the Hamersley iron ore operations, but that from the traditional lead-zinc-silver operations eased from A$47.1m to A$32.8m.

Despite the downturn, and gloomy predictions from directors, the interim dividend is up to 24 cents from 20 cents a share. The directors said the strengthening Australian dollar was a major concern.

"The outlook is for an especially difficult and uncertain period," they said. "The world economy has considerable forward momentum, due to the strong growth in Asia and Continental Europe, but events in the Middle East pose considerable uncertainty.

"Modest increases in oil prices would not be likely to derail the world economy in the immediate period ahead, but significant rises in oil prices could re-ignite inflationary fears and thus force tightened monetary measures which could abort the current growth phase.

"Given the supply, demand, inventory and price situation for most metals, the prospects for the second half of 1990 appear reasonable, subject to developments in the Middle East."

The stated result included A$59.9m in abnormal profits against A$57.6m previously and was after tax of A$136.6m compared with A$266.4m. Depreciation took A$178.7m against A$202.4m and interest A$55.1m compared with A$64m.

News Corp continues asset sales

By Bruce Jacques in Sydney and Terry Hall in Wellington

NEWS Corporation, the international publishing group controlled by Mr Rupert Murdoch, has continued its asset sale programme, unloading a batch of Australian interests to its New Zealand offshoot.

News Corp has sold the Gordon and Gotch magazine distribution business and three provincial newspapers for A$152m (US$123.7m) to Independent Newspapers, New Zealand's biggest publisher.

The deal marks the first big Australian foray by Independent, which is 49.7 per cent owned by News Corp, and the group is reported to be planning further Australian acquisitions and a possible Australian Stock Exchange listing.

Gordon and Gotch, Australia's largest magazine distributor, has been on the market for months at a price tag originally believed to be around A$170m, and analysts viewed last night's deal as a virtual fire sale by News Corp.

Sale of the three regional papers, the Bendigo Advertiser, Geelong Advertiser and Horsham Mail, were seen as a sweetener to get the deal through. News Corp is also helping to fund the sale by subscribing for its share of a $A93m convertible note issue by Independent.

The sale is subject to approval from Australia's Foreign Investment Review Board, but already has clearance from the New Zealand Commerce Commission.

Mr Alan Burnet, Independent's chairman, said it had outgrown the New Zealand market, where it holds over 50 per cent of the newspaper business by circulation.

The purchase will have a sizeable impact on Independent's business mix. It turns it from a company which is 90 per cent newspaper publishing and 10 per cent commercial printing to one that is 47 per cent newspaper publishing and 39 per cent magazine distribution.

While group borrowings would increase, the rising cashflow would allow the additional borrowings to be retired in three years. The operations would add NZ$580m to the group's annual revenue.

● Elders IXL, the Australian beer and foods group, yesterday sold its Hodder & Tolley seeds business to Primac Holdings and New Zealand Agriseeds for an undisclosed price. The sale was part of Elders' plan to focus on its brewing operations in Australia, Canada and Britain.

SAe joins UK group in venture

By Joyce Quek in Singapore

SINGAPORE Aerospace (SAe), the recently-listed aircraft maintenance and precision parts manufacturing group, yesterday announced better half-time results and a joint venture with the UK-based Qualitair Aviation Group to service Boeing aircraft in Cambridge.

SAe posted pre-tax profits 4.3 per cent ahead at S$9.8m (US$5.6m) for the six months to June, although this is short of its listing forecast of midway profits of S$12.3m. However, the board is confident that the shortfall can be made up in the second half.

The group's turnover rose 23.8 per cent to S$93.6m while investment and other income was 42.8 per cent better at S$10.4m. This was offset by 11.1 per cent lower contributions from associates of S$1.3m. Earnings per share gained 10.3 per cent to 4.3 cents.

At the time of the flotation three weeks ago SAe issued 100m shares at S$1.50 partly to acquire or start up companies for expansion in the US and Europe.

The 50:50 joint venture, to be named Qualitair Rotables Services, will specialise in the management and supply of Boeing 737 aircraft spares. It will undertake commercial activities including the leasing and exchange of aircraft spares.

The venture, like its recent US$20m acquisition of a facility in the US, is to establish an overseas beach-head. The US acquisition, Mobile Aerospace Engineering, will commence operations in early 1991 at Mobile, Alabama, to maintain and modify commercial aircraft, including Boeing 747 jets.

With a sum of S$145.4m from the listing, the group plans further acquisitions in the near future.

CAIL earnings surge to record

By Bruce Jacques

A SURGE in export tonnage and prices, and a windfall compensation gain, have allowed Coal and Allied Industries (CAIL), the leading Australian coal miner, to report a massive rise in earnings and dividends for the June year.

The company lifted earnings 2,456 per cent to a record A$60.27m (US$49m) from the previous year's depressed A$2.36m and the annual dividend is up to 60 cents from 16 cents a share.

Group sales rose 29.7 per cent to A$568.4m from A$438.2m and the result included a A$10.1m abnormal profit, reflecting a payment from the Coal Compensation Board. Previous earnings were restated to include a A$16.3m abnormal loss.

Directors said the volume of sales increased from 9.4m to 11m tonnes and average prices received rose by 12 per cent. They said the result also reflected administrative rationalisation and asset sales.

These showed up in a fall in CAIL's interest bill to A$18.7m from A$23.3m. Directors said productivity had increased, following implementation of new work practices, but cost reductions were substantially offset by higher wages.

The result included a tax charge of A$24.78m compared with a credit of A$1.63m previously, and depreciation of A$36.05m against A$29.59m. There was an A$8.03m extraordinary loss compared with a loss last time of A$27.37m.

CAIL's former parent, Howard Smith, the Australian diversified engineering group, has reported a 230 per cent earnings rise to A$113.6m in the June year from A$34.1m.

Smith has just reduced its CAIL stake from 42.5 per cent to 5 per cent, and the result included a A$48m abnormal profit, partly reflecting the CAIL sale and other asset divestments.

Swilynn yet to get control of Teletech

By Angus Foster in Hong Kong

SWILYNN International, an aggressive Hong Kong manufacturer of video tapes, has still not won control of takeover target Teletech International, a TV manufacturer, despite having acceptances representing close to 90 per cent of the company's shares.

The takeover was one of only a very few successful contested bids in Hong Kong. After a long and at times bitter battle for control of the company, Teletech's directors have sold most of their holdings but are refusing to agree to Swilynn's proposal to put nine of its own nominees on the board.

Mr Tony Cheung, chairman of Teletech, said "now is not an appropriate time" for Swilynn's nominees to take over. He said Hong Kong's Securities and Futures Commission was looking into the takeover to see if Swilynn broke the colony's Takeover Code and that legal proceedings against Swilynn, initiated in August by Teletech, are still unresolved.

Swilynn is now trying to force its way on to Teletech's board by asking for an extraordinary general meeting but Mr Ngan admitted it would take time to arrange the meeting.

Swilynn has also announced it intends to keep Teletech's stock market listing and will reduce its stake in the company to 75 per cent or less.

Peregrine disposals bring in HK$556.7m

By Angus Foster

PEREGRINE, a fast growing Hong Kong investment banking group, has raised HK$556.7m (US$71.4m) through the sale of properties held by Peregrine Investments, renamed from Tai Shing International in May.

The properties, which are all commercial or office buildings in Hong Kong, have been sold to a private Hong Kong company, Sand Force.

The cash raised will be reinvested, according to Mr Francis Leung, managing director. "If war breaks out in the Middle East, we could pick up some nice assets cheaply," he said.

Peregrine is backed by some of Hong Kong's best known business names including Mr Li Ka-shing, Mr Gordon Wu of Hopewell Holdings and China International Investment and Trust (Hong Kong), the local arm of China's state owned investment company.

When Peregrine took control of Tai Shing it said it wanted to turn the group into a holding company for direct investments and for financial services. Mr Leung said the group has now raised close to HK$1bn through the sale of properties and a stake in a hotel company.

Maoris in New Zealand fishing deal

By Terry Hall in Wellington

MAORI TRIBES have bought most of Fletcher Challenge's inshore fishing interests for NZ$20m (US$12.3m) in partnership with the public company Skeggs Seafoods.

The sale involved more than 4,100 tonnes of quota worth NZ$18m, nine fishing boats and processing factories in Auckland, Gisborne and Napier.

FCL's fishing division, New Zealand's largest quota holder, was put up for international sale in May when the company decided it wanted to streamline its interests.

The Maoris have long wanted a stake in the inshore fisheries and the buyers are likely to include the government-appointed Maori Fisheries Commission and the Iwi Transition Agency, a grouping of Maori tribes. Details of this are expected later.

Negotiations are continuing for the sale of the larger part of FCL's operation, the deep water interests.

INTERNATIONAL CAPITAL MARKETS

Bundesbank rejects all bids for 8¾% Unity paper

By Simon London in London and Janet Bush in New York

WEST GERMAN government bond trading was dominated by news that the Bundesbank had rejected all bids for 10-year 8¾ per cent Unity Fund paper. The market had been expecting the Bundesbank to issue a further DM3.5bn of 8¾ per cent Unity Fund paper by auction yesterday, following DM2.5bn issued through a consortium of banks on Monday.

Analysts said that the affair demonstrated a divergence in the opinion of the Bundesbank and the opinion of the market over realistic yields for paper. Prices in both cash and futures markets fell back on the news, with the key December bund futures contract falling from an opening 81.25 to 80.90 before recovering ground in late trading to close near opening levels. The 8¾ per cent 10-year bund closed at 96.75 to yield 9 per cent, against an opening price of 96.70.

The Bundesbank said it would tap the 8¾ per cent Unity Fund issue when market conditions improved. Yesterday the bank added DM500m to the issue, to be held for market intervention. This brings the total added to the issue this week to DM3bn, and the total size of the issue to DM9bn.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-29	+03/32	12.43	12.35	12.68
		9.000	03/00	84-22	+15/32	11.71	11.83	11.64
		9.000	10/08	83-24	+24/32	11.09	11.29	11.02
US TREASURY *		8.750	08/00	99-01	-08/32	8.90	8.90	8.41
		8.750	08/20	97-05	-14/32	9.03	9.03	8.56
JAPAN	No 119	4.800	6/99	82.8994	-0.061	8.14	8.22	7.74
	No 130	6.700	06/00	94.1370	-0.120	7.75	7.87	7.23
GERMANY		8.500	08/00	96.8000	-0.010	9.00	8.94	8.69
FRANCE	BTAN	9.000	11/95	94.3923	-0.071	10.43	10.37	9.86
	OAT	8.500	03/00	88.5800	-0.060	10.42	10.30	9.78
CANADA *		10.500	07/00	98.4000	-0.250	10.76	10.80	10.47
NETHERLANDS		9.000	07/00	99.3000	+0.000	9.11	9.05	8.85
AUSTRALIA		13.000	07/00	96.9053	+0.000	13.57	13.55	13.23

London closing. * New York closing
Yields: Local market standard
Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ LONG-dated US Treasury bonds came under pressure yesterday as crude oil prices rallied but the short end of the yield curve was steady on hopes that the Federal Reserve will soon ease monetary policy after a weaker than expected report from purchasing managers.

This report was positive for the short end of the yield curve because it was seen as providing justification for an easing move by the Fed. There was, however, no sign of such a move. The central bank announced $1.5bn in customer repurchase agreements, consistent with an unchanged target for Fed funds of 8 per cent.

■ THE GILT-edged bond market recovered some ground against the background of a stronger pound, but volume remained low in the absence of developments in the Gulf.

■ TOKYO trading in Japanese government bonds remained quiet, with prices moving marginally lower in light trading. The benchmark No 119 issue closed the day to yield 8.125 per cent, against 8.10 at Monday's close.

The December yen bond futures contract closed weaker at 89.35, against 89.60 on Monday. Dealers commented that oil prices were being watched closely by the market.

■ NEW ZEALAND government bonds held ground on news that Mr Geoffrey Palmer, Labour Prime Minister, had resigned ahead of next month's general election. Analysts noted that Mr David Caygill, the established Finance Minister will remain in office in the run up to October 27 polling day. The benchmark 1997 10 per cent issue closed the New Zealand trading day unchanged to yield 13.1 per cent.

NatWest, Dai-Ichi in venture

By Barry Riley

A JOINT venture in high technology investment management has been formed by NatWest Investment Bank and Dai-Ichi Mutual Life Insurance, one of the biggest Japanese life companies with funds of $110bn under management.

The aim is to apply the latest in "quantitative" computer-based investment management models, as developed by NatWest, to part of Dai-Ichi's portfolios of Japanese equities.

A first step will involve the establishment of an index fund tracking the Topix Index on the basis of holdings of 400 to 450 individual stocks. This fund could be set up by the end of this year.

Secondly the joint company, Dai-Ichi Life County NatWest Investment Management (DaiNat), will design a more sophisticated second tier active stock selection model. To be launched possibly in mid-1991 this fund will be expected to outperform the index fund, and will have between 200 and 300 individual holdings.

It is envisaged that a still more advanced trading fund will be set up when computer programmes have been developed to synthesise the complex switching and sector rotation techniques which are features of professional equity fund management in Tokyo.

Mr Bruce Pullman, a director of County NatWest Investment Management, said the 50:50 venture was aimed at "marrying the investment skills of Dai-Ichi and the quantitative skills of County."

The deal will not affect the relationships which County already enjoys with Japanese groups such as Nomura, for which it manages certain international index funds.

County itself claims to handle portfolios of £5bn using quantitative techniques, not counting the Dai-Ichi funds to be managed through DaiNat.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¼	99¾	-⅛	9.18
ALBERTA PROVINCE 9 3/8 95	600	100⅛	100⅝	+⅛	9.20
AMERICAN GENERAL 9 3/4 95	100	97⅛	98⅛	-⅛	10.52
AUSTRIA 8 1/2 00	400	93⅛	93⅝	-⅛	9.63
BANK OF TOKYO 8 3/8 96	100	94⅛	95⅛		9.61
BELGIUM 9 1/8 92	400	100⅛	101		8.77
BFCE 7 3/4 97	150	92	92½	-⅛	9.43
BNP 8 5/8 94	300	98⅜	98⅞	-⅛	9.13
BP CAPITAL 9 5/8 93	150	100⅞	101⅜		9.15
CANADA 9 96	1000	99⅝	100		9.04
CCCE 9 1/4 95	300	100⅛	100⅝	-⅛	9.15
COUNCIL EUROPE 8 96	100	94	94⅛	+⅛	9.36
CREDIT FONCIER 9 1/2 99	300	99⅛	99½	-⅛	9.61
DENMARK 0 98	250	48⅛	48⅝		9.60
DENMARK 8 1/4 94	150	97⅛	97½		9.14
ECSC 8 1/4 96	193	94⅛	95⅛		9.38
EEC 7 1/4 93	250	96⅝	97		8.78
EIB 7 3/4 96	250	93⅛	93½		9.32
EIB 10 97	250	102⅝	103	-⅛	9.43
ELEC DE FRANCE 9 98	200	97⅞	98⅛		9.41
EUROFIMA 9 1/4 96	100	99½	100⅛	-⅛	9.35
EXPORT DEV CORP 9 1/2 98	150	99⅞	100⅛		9.51
FINLAND 7 7/8 97	200	91⅞	92½		9.61
FINNISH EXPORT 9 3/8 95	200	100⅛	100⅝	-⅛	9.30
FORD MOTOR CREDIT 9 1/2 93	300	100½	101		9.29
GEN ELEC CAPITAL 9 3/8 96	300	99⅝	100		9.44
GMAC 9 1/8 96	200	98½	98⅞		9.46
HALIFAX 9 1/2 93	200	100⅛	101⅛	-⅛	9.16
IBM WORLD TRADE 7 5/8 93	150	95⅝	96⅛		9.24
IND BK JAPAN FIN 7 7/8 97	200	91½	92		9.65
INTER AMER DEV 7 5/8 96	200	92	92⅛	-⅛	9.43
ITALY 8 1/2 94	1500	98⅛	98⅛		9.05
JAPAN DEV BK 8 94	150	96⅝	97⅛	-⅛	9.09
KANSAI ELEC PWR 10 96	350	101½	102		9.61
LTCB 8 5/8 93	150	99	99½		9.04
NEW ZEALAND 8 93	100	97½	98⅛		9.03
NIPPON CRED BK 9 3/4 93	150	101⅛	101⅝	-⅛	9.30
NIPPON TEL & TEL 9 3/8 95	200	100½	101⅛		9.21
NISSAN ACCEPT CORP 9 1/4 91	150	100⅛	100⅝	+⅛	9.08
OLYMPIA & YORK 8 1/4 96	435	87⅞	89⅛	+⅛	11.18
ONTARIO HYDRO 11 5/8 94	200	106½	107⅛	+⅛	9.28
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98⅝		8.83
PRUDENTIAL RLTY SECS 0 99	365.216	45½	46	+⅛	9.87
QUEBEC HYDRO 9 3/4 98	150	99½	100	-⅛	9.84
QUEBEC PROV 9 98	200	96⅛	96⅝		9.73
SAINSBURY 9 1/8 96	150	98	98½		9.57
SAS 10 99	200	99⅝	99⅞		10.14
SBAB 9 1/2 95	500	100⅝	101		9.31
STATE BK STH AUST 9 1/4 93	100	100	100⅛		9.20
SUMITOMO TST 7 3/4 91	100	98½	99	-⅛	9.09
SWEDEN 8 1/8 94	150	96½	97⅛	-⅛	9.23
SWEDISH EXPORT 9 5/8 93	100	101⅝	102		8.82
TOKYO METROPOLIS 8 1/4 96	200	94⅛	95⅛		9.43
WORLD BANK 8 3/8 99	1500	94⅛	94½	-⅛	9.52
WORLD BANK 8 3/4 97	1500	98	98⅛	-⅛	9.38
XEROX CORPN 8 3/8 96	100	92⅛	93⅛		10.17

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96½	96⅞		9.07
AUSTRIA 6 98	400	83	83⅛	+⅛	9.20
CNT 6 1/8 98	200	82⅞	83	-⅛	9.23
CREDIT FONCIER 6 3/4 99	500	86	86⅛		9.17
DEUTSCHE BK FIN 5 5/8 96	750	84⅛	84⅛	-⅛	9.15
EEC 5 3/8 93	300	92½	92½	+⅛	9.06
EIB 6 1/8 96	300	86½	86⅞		9.21
EIB 6 7/8 95	300	90⅛	90½		9.31
EUROFIMA 6 1/4 98	400	84⅛	84⅛		9.16
FELDMUEHLE FINANCE 8 99	200	92⅝	92⅝	+⅛	9.20
FERRO DEL STAT 5 3/8 93	500	92½	92⅞		9.01
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅛		9.33
INTER AMER DEV 7 1/4 99	300	89⅛	89⅛	-⅛	9.06
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	82⅛		9.23
QUEBEC HYDRO 6 3/4 99	300	85½	85⅛	-⅛	9.26
SWEDEN 6 1/8 98	300	83⅞	83⅞	-⅛	9.17
WORLD BANK 0 15	2000	14⅛	14⅝	+½	8.01
WORLD BANK 5 3/4 96	300	85⅛	85⅝	-⅛	9.26
WORLD BANK 7 1/8 95	500	93½	93⅞	-⅛	8.97

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	83½	84½	-½	7.62
AUSTRIA 4 5/8 98	100	84½	85		7.40
COUNCIL EUROPE 4 3/4 98	250	84¼	85		7.59
EEC 5 1/2 00	100		90		6.89
EIB 5 3/4 93	100	95½	96¼		7.39
FINLAND 5 3/8 95	150	95½	96	+1	6.42
GENERAL MOTORS 7 1/2 95	100	102½	103½		6.85
JAPAN DEV BK 5 1/2 94	100	95		+½	7.18
MOUNT ISA FINANCE 5 3/4 94	100	88½	89		9.58
NEW ZEALAND 4 7/8 99	200	82	82½	+½	7.87
POLLY PECK INTL FIN 6 1/4 96	100	76	78	+½	12.53
QUEBEC HYDRO 5 08	100	76		+2	7.50
SKANDINAVISKA ENSK 6 1/2 95	100	96	97		7.60
WORLD BANK 6 1/4 92	100	98	98⅛		7.29
WORLD BANK 7 1/4 92	100	100¼	100½		7.09

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	90⅛	90½		8.16
CANADA 4 3/8 92	80000	93⅞	94⅛		8.14
CREDIT FONCIER 5 1/4 94	20000	89⅝	90⅛		8.20
DENMARK 7 95	40000	96	96⅛		8.10
EIB 4 5/8 94	40000	89⅛	89½		8.11
GENERAL ELECTRIC 5 3/4 93	35000	94⅝	95⅛		8.12
INTER AMER DEV 7 1/4 00	30000	95⅛	96		7.88
ITALY 5 3/4 92	150000	96⅛	97		8.17
KANSAI ELEC PWR 4 5/8 94	60000	89	89⅛		8.22
NIPPON TEL & TEL 5 7/8 96	50000	90⅛	91		7.85
NORWAY 5 1/8 95	50000	89⅛	89½		8.04
SWEDEN 5 5/8 95	20000	90⅛	90⅝		8.04
WORLD BANK 6 3/4 00	50000	93⅛	93½		7.79

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	92	93		9.81
KREDIETCORP 7 93 LFr	1000	93⅛	94⅛		9.75
WORLD BANK 8 96 LFr	1000	94	95		9.40
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛	-⅛	9.54
DENMARK 8 1/2 91 Fl	100	99⅛	100⅛	-⅛	9.54
HEINEKEN 7 5/8 94 Fl	150	96	96⅛		8.89
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94⅞	95⅜		9.46
RABOBANK 5 3/4 93 Fl	150	92⅛	92⅞	+⅛	9.41
WORLD BANK 6 1/4 91 Fl	100	97⅞	98½	-⅛	10.67
ALBERTA PROVINCE 10 92 C$	500	97½	97⅞	+⅛	11.53
BCE INC 9 5/8 93 C$	300	95	95½	+⅛	11.88
BELL CANADA 10 5/8 99 C$	150	93⅝	94⅛	-⅛	11.81
BRITISH COLUMBIA 9 1/4 93 C$	150	94⅞	95⅛		11.67
EIB 10 1/8 98 C$	130	91⅛	92⅛		11.81
FORD CREDIT CANADA 10 94 C$	100	94⅛	94⅞	+⅛	11.86
GENERAL ELECT CAP 10 1/4 93 C$	175	96⅛	97⅛		11.55
MONTREAL TRUSTCO 8 1/2 92 C$	100	93⅝	94½	-⅛	12.90
ONTARIO HYDRO 10 7/8 99 C$	500	95½	95⅛		11.71
QUEBEC PROV 10 1/2 98 C$	200	92⅛	92⅞		11.99
ROYAL TRUSTCO 10 1/4 93 C$	100	95½	96	+⅛	12.24
SWEDEN 9 3/4 93 C$	250	96⅛	96⅝	+⅛	11.46
AUSTRIA 7 3/8 93 Ecu	125	92⅞	93⅛		10.70
CNT 7 3/8 93 Ecu	250	91⅛	93	+⅛	10.91
CREDIT LYONNAIS 9 96 Ecu	125	93⅝	94⅝	+⅛	10.59
DENMARK 7 5/8 96 Ecu	250	87⅝	88⅛	-⅛	10.63
EEC 7 5/8 94 Ecu	200	91⅞	92⅛		10.50
EIB 10 97 Ecu	1125	97⅞	98⅛	-⅛	10.44
ITALY 10 3/4 00 Ecu	1000	101⅛	101⅛	-⅛	10.54
SWEDEN 7 1/2 93 Ecu	250	91⅛	92⅛	-⅛	10.66
BMW FINANCE 14 1/2 92 AS	100	100⅝	101⅛		13.89
COUNCIL EUROPE 13 93 AS	50	99⅛	99⅛		13.27
EKSPORTFINANS 12 3/8 95 AS	75	96½	97	+⅛	13.38
FORD CRED AUST 13 93 AS	50	97⅛	97⅛	+⅛	14.27
HEINZ 12 3/4 91 AS	100	98	98⅝	+⅛	15.35
ICI 15 1/2 92 AS	100	101⅛	101⅞	-⅛	14.42
NAT AUSTRALIA BANK 14 3/4 99 AS	150	101⅛	101⅛		14.17
STATE BK NSW 14 1/4 99 AS	100	99⅛	99½		14.42
VOLKSWAGEN INTL 15 94 AS	100	102½	103		13.99
BARCLAYS JERSEY 9 1/2 93 £	250	92⅛	92½		13.2[illegible]
EIB 10 97 £	300	88	88⅝	+⅛	12.82
FORD CREDIT FUNDING 9 5/8 93 £	50	91⅛	92⅛		13.58
INTER AMER DEV 11 3/8 95 £	75	95⅝	96⅛	+⅛	12.62
ITALY 10 1/2 14 £	400	85⅛	85½	+⅛	12.46
LAND SECS 9 1/2 07 £	200	73⅝	74⅛	+⅛	13.49
LEEDS PERMANENT 9 1/4 93 £	50	90⅞	91⅛		13.40
NORWAY 10 1/2 94 £	200	93⅛	94⅛		12.80
ROLLS-ROYCE 9 5/8 93 £	150	91	91½		13.63
SAINSBURY 10 7/8 93 £	100	94⅞	95⅛		13.49
WORLD BANK 11 1/4 95 £	100	95⅛	[illegible]	+⅛	[illegible]
ABBEY NATIONAL 0 96 NZ$	100	43⅞	44⅞	-⅛	14.50
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99½	100½	-⅛	13.32
AIDC 7 7/8 93 FFr	600	92⅛	92⅝	-⅛	10.92
DENMARK 8 1/8 91 FFr	1000	96⅞	97⅛		10.82
EURATOM 7 5/8 98 FFr	500	82½	83	-⅛	11.08

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.95	100.03	15.0000
ALBERTA PROVINCE 1/32 93	500	99.96	100.06	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.88	99.93	15.0800
BANCO DI NAPOLI INT 91	150	99.92	100.02	8.8750
BANCO ROMA 0.03 01	200	95.29	95.79	8.4675
BELGIUM 1/16 97 DM	500	100.02	100.11	8.8125
BFCE -0.02 96	350	99.76	99.86	8.4175
BNP 05	300	98.28	98.44	8.3750
BRITANNIA 1/10 96 £	150	99.90	99.95	15.1000
CITICORP 1/4 98	500	93.60	94.19	8.3125
CITIZENS FED 0.15 96	100	99.36	99.79	8.7125
COMMERZBK O/S FIN 93	200	99.51	99.61	7.9375
DENMARK -1/8 96	1000	99.00	99.10	8.0000
FERRO DEL STAT 94	200	100.28	100.38	8.2500
HALIFAX 1/10 94 £	200	100.01	100.06	15.1000
MITSUI FIN ASIA 1/8 96	100	99.90	100.00	8.5625
MORGAN (JP) 1/4 97	250	99.47	99.88	8.5000
NAT WEST FIN 3/16 05	400	96.42	96.92	8.8125
NEW ZEALAND 93	500	99.42	99.53	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.40	99.94	8.1625
PORTUGAL 0.05 93	700	99.89	99.99	8.4875
QUEBEC PROV 01	300	97.29	97.41	8.5000
RENFE 98	500	99.65	99.76	8.5000
SOCIETE GENERALE 96	300	99.10	99.21	8.6250
UNITED KINGDOM -1/8 96	4000	99.72	99.75	8.1250
WELLS FARGO 1/16 94	150	97.67	98.33	8.3750

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	101	102	+24.67
ASDA-MFI 4 3/4 02 £	100	1.64	106⅛	107⅛	+54.02
BURTON GROUP 4 3/4 01 £	110	3.15	104⅛	105⅞	
EASTMAN KODAK 6 3/8 01	300	50.67	96	97	+20.85
GOODYEAR TIRE 6 7/8 03	150	80⅛	70⅛	71⅛	
GRACE (WR) 6 1/4 02	150	42⅛	79⅛	80	+32.66
GRAND MET 6 1/4 02 £	100	6.58	88⅛	89⅞	+4.66
HAWLEY 6 02 PREF	400	1.91	106⅛	108	+12.35
HILLSDOWN 4 1/2 02 £	150	4.16	99	100⅛	+59.01
INTL PAPER 5 3/4 02	200	68⅛	85⅞	86⅛	+22.80
LAND SECS 6 3/4 02 £	84	6.72	77⅛	78⅛	+8.40
METAL BOX 5 3/4 02 £	65	1.93	89⅞	91⅛	-4.30
MITSUBISHI BK 1 3/4 02	300	2727.1	70½	72⅛	-4.35
OGDEN 6 02	85	39.077	76⅛	78	+57.08
PACIFIC DUNLOP 6 3/4 97	75	3.749	108½	109½	-0.47
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	77	77⅞	
THORN EMI 5 3/4 04 £	103	7.45	100	101	+19.58

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Citibank launches currency warrants

By Tracy Corrigan

CITIBANK in Frankfurt has launched four new issues of currency warrants, to meet fresh demand generated by the volatility of the foreign exchange markets since the start of the Gulf crisis. The latest issue, totalling 40m warrants, consists of sterling and dollar call and put warrants. The D-Mark denominated warrants are targeted at German retail investors.

German retail investors now account for more than 80 per cent of Citibank's sales of currency warrants, according to Citibank market research.

"The potential circle of warrant investors is constantly growing," says Mr Andreas Lieven, head of Citibank's Investors Services/New Issues department in Frankfurt. "When we started the department two years ago, we thought the products would be used for hedging purposes. But 90 per cent of the people who buy them would not bother hedging," says Mr Lieven.

Citibank and Trinkaus & Burkhardt are the market leaders in derivatives products for the German retail market, but a growing number of competitors are trying to get a slice of this lucrative business. There are currently about 90 issues of currency warrants outstanding in the German market, according to Mr Klaus Nowag, head of stock trading at Trinkaus & Burkhardt. Citibank launched 25 of them, and Trinkaus about 20.

Citibank and Trinkaus repackage over-the-counter options available to the wholesale market for retail use. The listed warrants are then sold, often through other institutions' distribution networks, to retail investors. Citibank and Trinkaus both make a market in the warrants between 9am and 5pm every business day.

"We make it clear in our advertising that there are risks. The premium can be a dead loss. But it is a cheap way for a retail investor to take a position," Mr Lieven observes.

German retail investors have also bought warrants linked to various stock indexes or interest rates.

For several weeks, Citibank has been keen to launch DM-denominated warrants on gold and oil, but has been unable to do so because of Bundesbank restrictions. The Bundesbank takes the view that such index-linked warrants could have inflationary implications.

Trinkaus, meanwhile, is trying to establish a wide range of dollar/D-Mark call warrants at different strike levels. If the dollar falls further next week, Trinkaus plans to launch a new series of call warrants at around $1.45. If the dollar rallies, there is unlikely to be a new issue, as Trinkaus already has launched a number of warrants ranging from $1.50 and $1.85, says Mr Nowag.

● Citibank in London has launched three new warrants on DAX, the German stock index. There are 5m call warrants and 2.5m put warrants.

Japanese bank takes Canadian securities stake

By Bernard Simon in Toronto

SANWA Bank is to buy a 75 per cent stake in McCarthy Securities of Toronto, becoming the first Japanese institution to acquire a big shareholding in a Canadian securities firm since ownership curbs in the industry were relaxed three years ago.

Terms of the deal have not been disclosed, except that Sanwa will provide a C$10m capital injection in the form of subordinated debt, lifting McCarthy's capital to C$14m.

McCarthy is owned by its employees, who will sell 75 per cent of their shares to Sanwa. The firm will be renamed Sanwa McCarthy Securities.

McCarthy is best known for its institutional research. It also has a bond trading operation, a foreign exchange department and a small private clientele. The firm employs 62 people, and has a small office in Geneva.

Mr Keith Harris, its executive vice-president, said that, besides providing extra capital, the deal with Sanwa, the world's sixth biggest bank, will enable the firm to tap Japanese equity, fixed income and foreign exchange markets, as well as expand its client base.

Four leading Japanese securities firms set up wholly-owned subsidiaries in Toronto at the time of ownership deregulation in mid-1987.

Sanwa is however, following in the footsteps of several European and North American institutions – such as Deutsche Bank, Barclays de Zoete Wedd, James Capel and Security Pacific – by forging an alliance with an established Canadian firm.

THE SURVEY ON HUNGARY WHICH SHOULD HAVE APPEARED IN TODAY'S FINANCIAL TIMES WILL NOW BE PUBLISHED ON 17th SEPTEMBER

هكذا من الأصل

New Issue — This advertisement appears as a matter of record only — August 14, 1990

The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe
Strasbourg/Paris

DM 200,000,000
Floating Rate Notes of 1990/2000 I

Issue Price:	100%
Interest Rate:	9½% p.a., payable annually in arrears on August 14, 1991 and 1992, thereafter 16% p.a. less Six-Months-DM-*Libor, payable semi-annually in arrears on February 14* and August 14 of each year. The deduction shall not exceed 16% p.a.
Repayment:	August 14, 2000, at par
Listing:	Düsseldorf and Frankfurt am Main

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

BHF-BANK · **Landeskreditbank Baden-Württemberg** · **J. P. Morgan GmbH**

Morgan Stanley GmbH · **Norddeutsche Landesbank Girozentrale**

Westdeutsche Genossenschafts-Zentralbank eG

Amro Handelsbank Aktiengesellschaft · **Bayerische Landesbank Girozentrale** · **Industriebank von Japan (Deutschland)** Aktiengesellschaft

Samuel Montagu & Co. Limited · **Schweizerischer Bankverein (Deutschland) AG** Investment Banking · **Stadtsparkasse Köln**

Südwestdeutsche Landesbank Girozentrale · **Sumitomo Bank (Deutschland) GmbH**

Yamaichi International (Deutschland) GmbH

New Issue — This advertisement appears as a matter of record only — August 21, 1990

Landeskreditbank Baden-Württemberg
Karlsruhe

DM 300,000,000
Floating Rate Notes of 1990/2000

Issue Price:	100,10%
Interest Rate:	9½% p.a., payable annually in arrears on August 21, 1991 and 1992, thereafter 16% p.a. less Six-Months-DM-Libor, payable semi-annually in arrears on February 21 and August 21 of each year. The deduction shall not exceed 16% p.a.
Repayment:	August 21, 2000, at par
Listing:	Düsseldorf, Frankfurt am Main and Stuttgart

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

Amro Handelsbank Aktiengesellschaft · **Baden-Württembergische Bank** Aktiengesellschaft · **DSL Bank** Deutsche Siedlungs- und Landesrentenbank

Genossenschaftliche Zentralbank AG Stuttgart · **Industriebank von Japan (Deutschland)** Aktiengesellschaft

Landesgirokasse öffentliche Bank und Landessparkasse · **Samuel Montagu & Co.** Limited · **J. P. Morgan GmbH**

The Nikko Securities Co., (Deutschland) GmbH · **Norddeutsche Landesbank Girozentrale** · **Salomon Brothers AG**

SGZ BANK AG · **Südwestdeutsche Landesbank Girozentrale** · **Sumitomo Bank (Deutschland) GmbH**

Westdeutsche Genossenschafts-Zentralbank eG · **Yamaichi International (Deutschland) GmbH**

New Issue — This advertisement appears as a matter of record only — August 21, 1990

LfA

Bayerische Landesanstalt für Aufbaufinanzierung

DM 100,000,000
Floating Rate Notes of 1990/1998

Issue Price:	100%
Interest Rate:	9¼% p.a., payable annually in arrears on August 21, 1991 and 1992, thereafter 15⅞% p.a. less Six-Months-DM-Libor, payable semi-annually in arrears on February 21 and August 21 of each year. The deduction shall not exceed 15⅞% p.a.
Repayment:	August 21, 1998, at par
Listing:	München

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft · **Bayerische Landesbank Girozentrale** · **Bayerische Vereinsbank** Aktiengesellschaft

Amro Handelsbank Aktiengesellschaft · **DSL Bank** Deutsche Siedlungs- und Landesrentenbank · **Industriebank von Japan (Deutschland)** Aktiengesellschaft

Landeskreditbank Baden-Württemberg · **Merrill Lynch Bank AG** · **J. P. Morgan GmbH**

Samuel Montagu & Co. Limited · **Norddeutsche Landesbank Girozentrale** · **Südwestdeutsche Landesbank Girozentrale**

Sumitomo Bank (Deutschland) GmbH · **Westdeutsche Genossenschafts-Zentralbank eG**

New Issue — This advertisement appears as a matter of record only — September 4, 1990

Baden-Württemberg

DM 300,000,000
Floating Rate Landesobligationen of 1990/1996

Issue Price:	100%
Interest Rate:	9¼% p.a., payable annually in arrears on September 4, 1991 and 1992, thereafter 15¾% p.a. less Six-Months-DM-Fibor, payable semi-annually in arrears on March 4 and September 4 of each year. The deduction shall not exceed 15¾% p.a.
Repayment:	September 4, 1996, at par
Listing:	Düsseldorf, Frankfurt am Main and Stuttgart

Trinkaus & Burkhardt
Kommanditgesellschaft auf Aktien

Baden-Württembergische Bank Aktiengesellschaft · **Landeskreditbank Baden-Württemberg**

Amro Handelsbank Aktiengesellschaft · **DSL Bank** Deutsche Siedlungs- und Landesrentenbank · **Genossenschaftliche Zentralbank AG Stuttgart**

Industriebank von Japan (Deutschland) Aktiengesellschaft · **Landesgirokasse** öffentliche Bank und Landessparkasse · **Merrill Lynch Bank AG**

Samuel Montagu & Co. Limited · **J. P. Morgan GmbH** · **The Nikko Securities Co., (Deutschland) GmbH**

Norddeutsche Landesbank Girozentrale · **Salomon Brothers AG** · **Stadtsparkasse Köln**

Südwestdeutsche Landesbank Girozentrale · **Sumitomo Bank (Deutschland) GmbH**

Westdeutsche Genossenschafts-Zentralbank eG · **Yamaichi International (Deutschland) GmbH**

Steady demand for £75m Nationwide Anglia deal

By Tracy Corrigan

NATIONWIDE Anglia brought a £75m offering of 13⅝ per cent bonds due 1994, fungible with an outstanding £100m deal.

The structure of the deal allowed the borrower to achieve some cost savings. But the deal offered sufficient yield pick-up over the secondary market to elicit steady demand from UK investors. Continental European investors steered clear of the paper, eschewing foreign exchange risk.

The bonds were priced to yield about 105 basis points above the comparable gilt, an attractive pick-up over the outstanding bonds which were trading around 90 basis points over the curve.

Other building society paper was trading between 95 and 100 basis points above the curve.

The Nationwide deal traded within full fees of 1⅝ points throughout the day, mostly bid around less 1⅛. Interest on the bonds accrues from March 1990, with the first interest payment date in March 1991.

This means that the borrower has the benefit of the accrued coupon for six months. Because the bonds have a relatively high coupon, and a fairly short life over which the accrued interest amortises, this provides attractive cost savings for the borrower.

Nationwide was able to swap the funds into floating-rate sterling at about 5 basis points above the London inter-bank offered rate

The company was able to offer bonds at a yield attractive to investors, and still achieve the benefit of the accrued interest, a Nationwide Anglia official commented.

Demand for sterling bonds is currently strongest at the very long end of the yield curve, following a series of buy-backs in the long-dated sterling sector.

But the high costs of issuing there continue to deter potential borrowers.

In the equity-linked sector, Uniden Corporation launched a $120m offering of bonds with equity warrants, via Nomura International. The deal was quoted at less 1¾ bid, within 2¼ point fees.

Three Japanese equity-linked offerings emerged in the Swiss market, the largest of which was a $63m convertible for Start Corporation, which was quoted around its par issue price.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Uniden Corporation♦	120	(6⅛)	100	1994	2¼/1½	Nomura Int.
SWISS FRANCS						
Start Corporation★★§(a)	63	4¾	100	1994	4/3¼	Nomura Bk (Switz)
Tokyo Buhin Kogyo Co♦★★(b)	40	5⅛	100	1995	1⅝	Bk della Svizzera Ital.
Nittoh Bion§★★(c)	30	5	100	1994	1⅝	SBC
ECUs						
Swedish Export Credit‡◆(d)	100	(e)	100	1993	10bp	Mitsubishi Finance
STERLING						
Nationwide Anglia◆(f)	75	13⅝	102.10	1994	1⅝/1⅛	Samuel Montagu

◆Final terms. §Convertible. ♦With equity warrants. ‡Floating rate note. a)Put option on 31.12.92 at 108½% to yield 8.245%. b)Callable on 02.10.91 at 102 decreasing by ¼% semi-annually. c)Put on 30.06.93 to 110¼% to yield 8.379. Callable on 30.06.93 at 110 then 101 on 31.12.93 decreasing by ½% every 6-months. Coupon paid semi-anually. d)Put option on every interest payment at par. e)3-month Libor minus 35bp. f)Fungible with £100m issue.

FIBV seeks expanded role

By Richard Waters

THE Fédération Internationale des Bourses de Valeurs, a grouping of leading international stock exchanges, is expected today to announce a revamp of its organisation to give itself a more prominent role on the world stage.

Although 30 years old, the FIBV, whose 30 members include the New York, Tokyo and London stock exchanges, has made less of the running in international developments in securities regulation recently than other organisations, such as the International Organisation of Securities Commissions (Iosco).

The exchanges now believe that Iosco has become dominated by government regulatory agencies, and there is a need for an international grouping representing their interests.

The FIBV is likely to play a greater role in presenting the views of exchanges to governments, and in developing common standards of self-regulation for stock markets.

In a move which signals the growing weight of the FIBV, Mr John Phelan, chairman of the New York Stock Exchange, is to become its next president for a two-year period, in succession to Mr Gernot Ernst, president of the Berlin exchange.

The FIBV has also recently appointed a second secretary general, Mr Geritt de Marez Oyens, a former chief executive of the Amsterdam Stock Exchange.

The announcement of the changes is expected to be made in Berlin today, where the exchanges are continuing a conference begun in Frankfurt on Monday.

Banexi sets up Frankfurt corporate finance arm

By George Graham in Paris

BANEXI, the merchant banking arm of Banque Nationale de Paris (BNP), the French state-owned bank, is to set up a German corporate finance arm in partnership with Dr Hans Dahm, the former director of mergers and acquisitions for Westdeutsche Landesbank.

Banexi & Partner Corporate Finance will be based in Frankfurt and will be 60 per cent owned by the BNP group, with the remaining 40 per cent held by Dr Dahm. "We want to become a very significant actor in the German M&A market," said Mr Georges Chodron de Courcel, Banexi's chairman.

Dr Dahm, who will be managing partner of the new company, said he expected the number of M&A deals involving German companies to climb rapidly from 2,728 last year to 3,500 this year and 4,500 in 1991, before flattening off to 3,605 in 1992 and 3,750 in 1993.

Banexi, which advised on deals worth FFr9.9bn last year according to the M&A newsletter PF Publications, has already opened subsidiaries in London and Milan so far this year, adding to a network which includes France, New York, Madrid, Barcelona and Lisbon.

Japanese banks face downgrade

By David Lascelles, Banking Editor

IBCA, the London-based credit rating agency, has placed six leading Japanese banks on "rating watch" for possible downgrade from their triple A status because of the impact of the recent sharp fall on the Tokyo stock market. They are Dai-Ichi Kangyo, Fuji, Sumitomo, Mitsubishi, Sanwa and Industrial Bank of Japan.

IBCA says the decline in the market will make investors less willing to subscribe to rights issues. Banks will therefore have to generate new capital internally, or curb growth.

Tricky times for Euro-convertibles

Simon London reports on the fading dreams of UK finance directors

British companies which issued convertible bonds with a new twist three years ago are finding they are paying a high price for financial innovation.

About 20 UK companies chose to introduce a new wrinkle to their traditional convertibles, which pay annual interest like a bond but allow holders to convert their bonds into shares.

The innovation was a so-called put option which, because it gave investors a chance of redeeming the bonds early for cash to give a return close to that available on government bonds, allowed the issuers to save money by keeping bond coupons low.

Now, the weak stock market has made it unlikely that the bonds will ever be converted into shares and every bout of stock market jitters, whether prompted by Saddam Hussein or the rash of corporate failures, makes it more likely that investors will choose to exercise the put option. If they do so, a number of already hard-pressed UK companies will face huge one-off redemption payments.

The advertising group Saatchi & Saatchi will have to find around £220m in 1993 if holders of its 6.75 per cent preference stock take their option to put the bonds back to the issuer at 119.71 plus accrued interest. The underlying equity is trading at just 67p against a conversion price of £4.41.

But Saatchi & Saatchi is not alone. Companies ranging from fashion retailer Next to agribusiness Hillsdown could face substantial put option bills in 1992 and 1993 unless there is a dramatic upturn in the equity markets.

Many of these convertibles are effectively trading as fixed-interest securities because the prospect of converting the bonds into equity has been ruled out. Bond prices are thus governed by the put option, and yields generally reflect a hefty risk premium over equivalent government bonds, especially where there are doubts about the ability of the issuer to finance the put option.

For example, the Saatchi & Saatchi preference stock is yielding about 35 per cent to maturity, with a subordinated domestic issue offering an even higher return. The yield on Next's £48m issue of 6.5 per cent convertible Eurobonds has moved out to 25 per cent in the last few months – reflecting downgradings and failures in the UK stores sector.

Even less volatile issues from companies such as Ratners, Coats Viyella and News Corporation are yielding more than 15 per cent. New paper issued to refinance these convertible issues would presumably have to offer a similar yield.

Saatchi & Saatchi has yet to indicate how it will deal with put option obligations. So far the company has declined to make any accounting provisions, suggesting that some form of complex refinancing is in prospect.

Other companies, including Next and Storehouse, have made an accounting provision for "supplemental interest," which represents the difference between the yield to the early redemption and the coupon rate payable on the convertible bonds.

This cost Next £8m in both 1988 and 1989. It does, however, prevent profit and loss figures from being flattered by the abnormally low coupon payments.

Yet provisions against supplemental interest do not solve the problem of dealing with the early redemption of principal. With the bonds trading below par value, some companies have decided to pre-empt the problem and buy the convertibles back in the open market.

In December 1989 Next bought in and cancelled around £6m of its £100m 5.75 per cent convertible issue at an average price of 95.53. Since then the company has bought in small amounts of both its outstanding issues, financing open market transactions out of cash flow.

The announcement by Storehouse on Monday of an open offer to buy back all its outstanding £69m 4.25 per cent convertible Eurobonds represents a further stage in its bid to tackle the problem.

However, a buy-back programme is only possible where cash flow is strong or additional bank borrowings can be raised. Even with a dramatic upswing in consumer spending, Next is perhaps unlikely to make a real dent in its £140m of outstanding bonds before the 1992 put dates. Moreover, in the case of Saatchi & Saatchi, replacing preference capital with bank debt would strain an already distressed balance sheet.

One alternative might be to introduce a second or "rolling" put option, guaranteeing the same yield as on the first put but tempting investors to hold on to the paper for the "upside" potential of eventual conversion into equity.

This tactic has been favoured by S. G. Warburg and used in post-1987 issues for UK defence engineering company Meggitt and UK property group Slough Estates.

A second put option was also written in after issue by Burton Group, which introduced a 1997 put on the same yield as the original 1993 put. Only time will tell whether Burton can dissuade bond holders from redeeming at the earlier date.

The most obvious refinancing option is to offer bondholders new longer-dated paper instead of cash on the put date. Investors often have tax-driven reasons for not crystallising their investment in the short term, so there may be room for the introduction of a new instrument.

The question is at what level of coupon investors would be prepared to accept new paper from companies with a dismal recent trading and share price performance. The yields on existing paper suggest that some form of high-yielding instrument may be required.

It is an open question whether investors would accept such paper. There are a number of specialist funds with an appetite for the convertibles and in many cases they are as liquid as the underlying equity.

Moreover, many Euro-convertibles have been almost entirely repatriated in the UK, suggesting that high coupon domestic paper could be issued to refinance.

But secondary market traders suggest that the mainstream of fund managers have yet to embrace even existing high-yield convertibles as an integral part of their portfolios. They may take some persuading to accept still more high-yield debt.

Moody's lowers Burton Group paper rating

By Simon London

COMMERCIAL paper issued by Burton Group was yesterday downgraded from the highest Prime–1 rating to Prime–2 by Moody's Investors Service.

The move follows last week's decision by Standard & Poor's, the other dominant US ratings agency, to lower Burton Group short–term rating from its highest A–1 rating to A–2.

Both agencies cited trends in UK retailing but noted pressure on operating margins was coming when Burton is investing in property developments.

Standard and Poor's commented that "weakened performance has come at a time when Burton's capital structure is showing the cost of forays into the development of large retail shopping centres."

Burton has signalled its intention to withdraw from property development activity, where it has built up a portfolio of development projects including five shopping centres. The group recently sold its financial services operation *to General Electric Capital for £182.7m.*

The financial services business had been held off-balance sheet through an associated company but was due to be consolidated in the current financial year under legislation in the 1989 Companies Act.

However, both rating agencies recognise Burton Group's strong market position in UK *fashion retailing and suggest* that "a period of consolidation". and "concentration on core business" will restore financial performance.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Equity Groups & Sub-Sections	Tue Sep 4 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Sep 3 Index No.	Fri Aug 31 Index No.	Thu Aug 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	754.68	-1.0	15.05	6.16	8.14	24.69	762.55	762.56	762.20	1008.67
2	Building Materials (26)	946.20	-0.8	16.06	6.37	7.68	31.55	954.10	961.83	966.48	1182.20
3	Contracting, Construction (36)	1201.10	-0.8	19.61	6.82	6.62	38.33	1211.34	1214.75	1223.11	1574.82
4	Electricals (10)	2098.95	-0.8	13.97	6.38	8.76	63.54	2115.94	2119.80	2092.81	3037.73
5	Electronics (27)	1619.37	…	10.20	4.96	13.28	55.48	1619.91	1618.30	1612.24	2280.21
6	Engineering-Aerospace (8)	430.14	-1.0	15.24	5.47	7.81	10.79	434.53	428.51	426.31	0.00
7	Engineering-General (46)	412.08	-1.1	14.78	6.27	8.17	13.89	416.51	416.08	417.03	0.00
8	Metals and Metal Forming (6)	424.63	-1.2	27.18	7.92	4.47	16.68	429.97	428.05	423.21	532.11
9	Motors (13)	306.68	-0.9	17.50	7.69	6.65	12.78	309.53	308.95	309.89	369.15
10	Other Industrial Materials (23)	1325.32	-2.0	13.18	6.02	8.76	39.65	1352.63	1351.89	1351.29	1867.30
21	CONSUMER GROUP (178)	1185.19	-0.9	10.34	4.29	11.95	25.09	1195.48	1200.00	1195.64	1417.55
22	Brewers and Distillers (22)	1466.77	-1.1	10.49	3.97	11.55	30.46	1482.68	1490.32	1483.43	1583.71
25	Food Manufacturing (20)	1003.31	-1.0	11.44	4.81	10.80	23.22	1013.12	1012.54	1007.31	1218.10
26	Food Retailing (16)	2419.17	-0.3	9.63	3.41	13.19	45.88	2426.74	2427.37	2397.92	2722.30
27	Health and Household (16)	2292.86	-0.7	7.56	3.01	15.72	29.07	2310.02	2313.44	2305.89	2755.59
29	Leisure (32)	1230.89	-1.0	12.15	5.09	9.95	35.86	1242.96	1252.97	1257.55	1817.77
31	Packaging & Paper (12)	522.68	-1.3	12.47	6.61	9.86	14.71	529.71	529.34	527.85	621.16
32	Publishing & Printing (16)	3093.22	-0.7	11.75	6.06	10.67	105.00	3114.01	3110.72	3109.02	3854.33
34	Stores (33)	777.00	-1.1	11.40	4.86	11.38	16.55	785.50	794.88	794.19	919.92
35	Textiles (11)	420.05	-0.4	14.52	8.56	8.68	18.80	421.57	423.10	423.84	581.99
40	OTHER GROUPS (107)	1019.23	-0.9	12.58	5.83	9.60	28.17	1028.44	1027.50	1027.52	1225.60
41	Agencies (16)	1207.42	+0.3	8.44	3.24	14.32	20.34	1204.19	1190.15	1203.46	1630.70
42	Chemicals (24)	1044.17	-1.2	12.69	6.35	9.31	43.91	1057.28	1059.26	1049.97	1360.85
43	Conglomerates (15)	1410.82	-1.0	11.94	7.07	10.07	34.42	1424.96	1427.29	1433.26	1779.76
44	Transport (13)	1950.12	-0.6	12.72	5.33	9.98	49.33	1962.31	1974.96	1978.55	2457.02
46	Telephone Networks(2)	1131.80	-0.9	11.83	4.98	11.00	26.09	1141.77	1137.09	1133.36	1155.46
47	Water(10)	1911.43	-1.5	16.12	7.09	6.97	68.12	1941.47	1956.49	1971.15	0.00
48	Miscellaneous (27)	1506.32	-0.8	14.59	5.96	7.80	43.04	1518.77	1509.17	1508.88	1983.45
49	INDUSTRIAL GROUP (480)	1033.86	-0.9	12.13	5.20	10.09	26.72	1043.37	1044.89	1043.03	1273.71
51	Oil & Gas (20)	2479.01	-0.3	10.06	4.98	13.01	70.93	2486.86	2435.70	2404.83	2234.45
59	500 SHARE INDEX (500)	1151.50	-0.8	11.79	5.16	10.47	30.29	1160.96	1158.51	1154.45	1355.68
61	FINANCIAL GROUP (107)	705.66	-0.9	-	6.70	-	28.24	711.94	714.72	713.25	821.43
62	Banks (9)	758.69	-0.7	21.56	7.57	6.08	41.50	764.03	770.32	770.19	835.26
65	Insurance (Life) (7)	1351.89	-0.9	-	5.47	-	37.79	1364.30	1358.35	1344.27	1239.74
66	Insurance (Composite) (6)	592.42	-1.6	-	7.16	-	21.72	601.87	606.19	605.47	646.22
67	Insurance (Brokers) (8)	824.19	-3.1	10.37	7.79	12.71	33.25	850.68	847.24	850.40	1005.63
68	Merchant Banks (7)	380.21	-0.6	-	5.35	-	11.93	382.66	383.53	381.26	407.45
69	Property (47)	933.73	-0.4	9.24	5.25	13.86	22.64	937.13	937.90	937.01	1398.87
70	Other Financial (23)	255.20	-0.5	11.13	6.94	11.69	8.95	256.38	255.79	256.21	373.75
71	Investment Trusts (66)	1066.32	-0.9	-	3.70	-	22.49	1075.51	1070.34	1063.99	1285.21
91	Overseas Traders (5)	1271.36	-0.3	10.96	7.19	10.89	59.65	1275.14	1274.97	1270.46	1469.15
99	ALL-SHARE INDEX (678)	1043.83	-0.8	-	5.35	-	29.47	1052.48	1051.08	1047.54	1225.80

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 3	Aug 31	Aug 30	Aug 29	Aug 28	Year ago
FT-SE 100 SHARE INDEX♦	2148.0	-18.6	2160.4	2139.5	2166.6	2162.8	2153.6	2125.7	2126.1	2426.0

FIXED INTEREST

	PRICE INDICES	Tue Sep 4	Day's change %	Mon Sep 3	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.89	+0.01	116.87	-	8.12
2	5-15 years	120.26	-0.12	120.41	-	9.43
3	Over 15 years	122.48	-0.17	122.69	-	8.25
4	Irredeemables	138.33	-0.12	138.50	-	8.85
5	All stocks	121.16	-0.08	121.25	-	8.97
	Index-Linked					
6	Up to 5 years	149.58	+0.06	149.50	-	2.46
7	Over 5 years	137.21	+0.29	136.82	-	2.86
8	All stocks	138.02	+0.27	137.66	-	2.83
9	Debentures & Loans	98.25	-0.18	98.43	-	8.36
10	Preference	74.56	-0.05	74.60	-	4.01

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 4	Mon Sep 3	Year ago (approx.)
	British Government				
1	Low	5 years	11.05	11.02	9.67
2	Coupons	15 years	11.05	11.02	9.26
3		25 years	11.05	11.02	9.17
4	Medium	5 years	12.05	12.02	10.68
5	Coupons	15 years	11.55	11.53	9.70
6		25 years	11.29	11.27	9.32
7	High	5 years	12.15	12.12	10.79
8	Coupons	15 years	11.81	11.79	9.89
9		25 years	11.58	11.56	9.46
10	Irredeemables†		11.18	11.16	9.22
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.77	4.78	2.97
12	Inflation rate 5%	Over 5 yrs.	4.31	4.32	3.50
13	Inflation rate 10%	Up to 5 yrs.	3.63	3.64	2.18
14	Inflation rate 10%	Over 5 yrs.	4.13	4.14	3.33
15	Debs &	5 years	14.06	14.08	13.07
16	Loans	15 years	13.10	13.10	11.64
17		25 years	12.87	12.83	11.21
18	Preference†		12.80	12.79	10.19

♦Opening index 2160.4; 9 am 2148.7; 10 am 2145.6; 11 am 2145.7; Noon 2149.2; 1 pm 2147.3; 2 pm 2144.6; 3 pm 2140.2; 4 pm 2145.8; 4.10 pm 2147.4; (a) 2160.4 (b) 2139.5 † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	26	58	13
Corporations, Dominion and Foreign Bonds	0	4	18
Industrials	174	456	938
Financial and Properties	61	223	451
Oils	20	20	48
Plantations	1	1	8
Mines	17	53	90
Others	27	68	150
Totals	326	883	1,716

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	110	ABI Leisure 10p	110	-1	R4.7	3.3	5.7	7.2
-	F.P.	-	7½	4	Bennett & Fountain Wts.	7		-	-	-	-
50	F.P.	-	49	42	ECU Trust 10p	46	-1	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	Nil	-	4pm	3pm	S.G. Group 5p	3pm	-½
10	Nil	-	2pm	¼pm	Sheraton Secs. Intl. 10p	¼pm	
180	Nil	-	4pm	¾pm	Telfos 20p	2pm	
16	Nil	-	2pm	¼pm	Wentworth Intl. Grp. 10p	¼pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend,cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ∇ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market. ♦ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Aug. 28
- Last Dealings Sept. 14
- Last Declarations Dec. 6
- For settlement Dec. 17

For rate indications see end of London Share Service

Calls in Adwest, Allied Partnership, Burton, Meekatharra, Monarch Pet., Oliver Res., Polly Peck, Richmond Oil & Gas, Speyhawk, Strong & Fisher, Tusker Res. and Unitech. Put in Speyhawk. Put and call in Aviva Pet.

LONDON TRADED OPTIONS

TRADING was dominated by a surge of contract exchanges in BP options, in what one analyst described as a "war spread" strategy.

James Capel was said to have dealt in more than 4,000 of the 9,147 BP contracts that changed hands.

News that a US vessel had seized an Iraqi cargo ship, the uncertainity over the outlook for the price of Brent crude and the general increase of tension in the Gulf were all background factors to an uncertain market.

The heaviest trading was in the BP October 360 calls with 6,486 contracts changing hands.

There were 8,029 calls in total, and only 1,118 puts, which pointed heavily to optimism over BP.

Trading in BP was way above the next contender – Rolls Royce – which saw 3,694 contracts exchanged on the back of the opening of the Farnborough Air Show and the general reprieve that the Gulf situation has given to defence stocks. A total of 36,267 contracts was exchanged during the day, some 5,000 up on Monday's figure of 31,374.

Again, the main interest was in calls, which were up by 4,000 on the previous day to 22,572, while puts hovered around the same level and ended at 13,695.

Trading in the FT-SE Index options dropped slightly to 8,335 from 9,307 on the previous day.

On LIFFE the September FT-SE future opened sharply lower and almost at parity to the Cash Index. It traded at a discount to its fair value for most of the morning. Turnover in the September contract was more than double that of the previous day, and it closed at the day's high of 2,172 with 4,734 contracts exchanged.

Analysts said the heavier trading was caused by an early day feeling that Wall Street would open at an easier level. This prompted premature buying and subsequent selling on Wall Street's opening loss of 25 points.

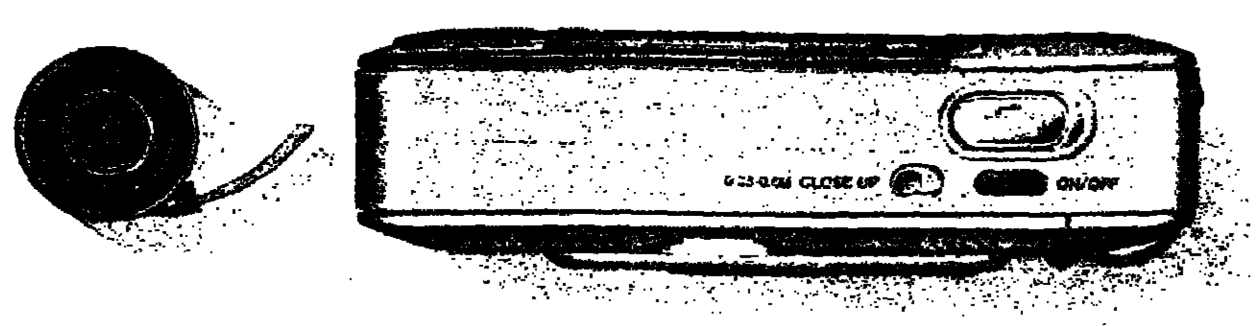
Analysts suggested that a bearish stance by dealers had resulted in a futures-led market.

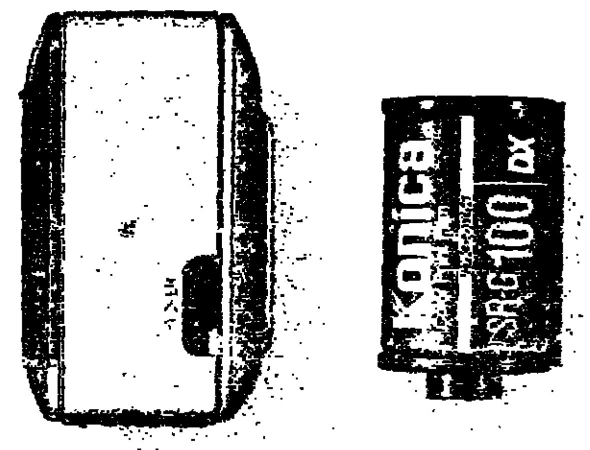
Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*484)	460	39	55	72	7	16	20
	500	16	32	49	25	31	35
	550	4	16	28	67	68	70
ASDA (*113)	100	17	22	-	2½	4	-
	110	9	16	19	5	7½	9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

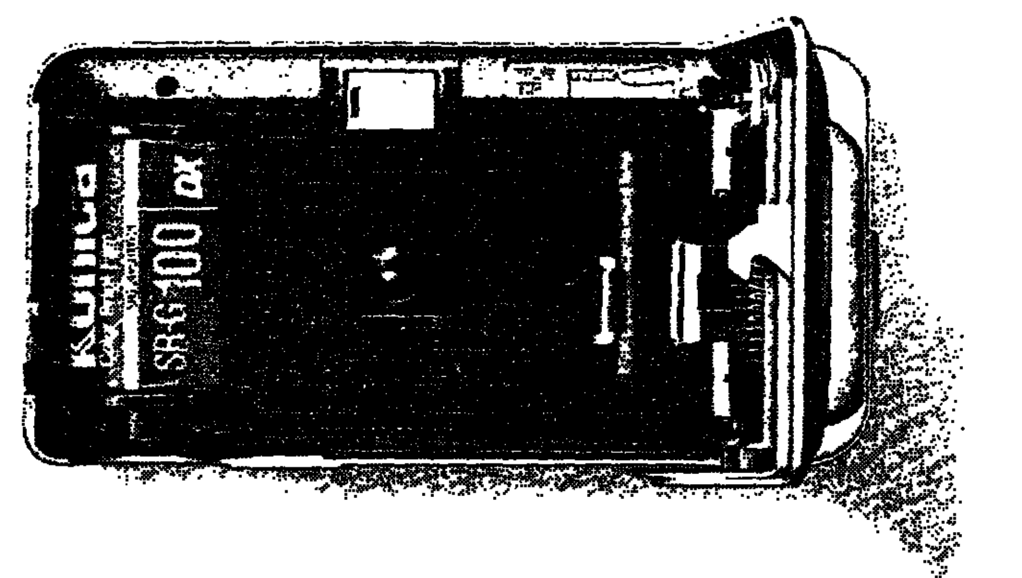
Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Utd. Biscuits (*319)	300	26	40	45	5	10	13
	330	8	22	28	19	25	26
	360	3	10	16	45	46	47
Unilever (*628)	600	47	70	87	11	19	25
	650	17	39	59	32	38	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat. (*208)	200	11	20	27	3	7	10
	220	2½	10	15	16	17	19
Amstrad (*57)	50	9	11½	14½	1½	3	4
	60	2½	6	10	5	8	9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Konica

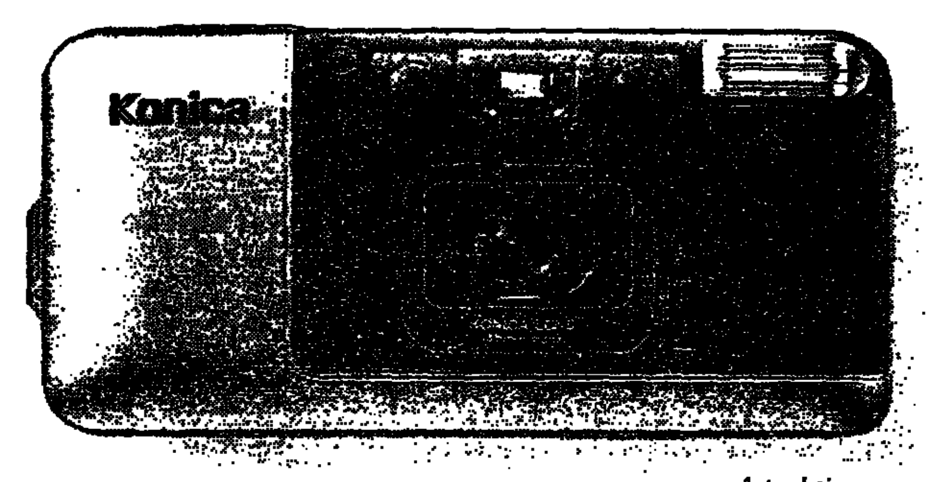






The New Intrinsic Limit.

The European Compact Camera of the Year '89-'90 is an AF camera so compact that dimensional limits are now defined by 35mm film itself!



Actual size

World Recognition for Konica's A4.

Konica's A4 is the most compact 35mm autofocus camera ever created—in fact, it is only millimeters larger than 35mm film itself. It is also the world's lightest—under 200 grams.

The A4 defines new limits but its capabilities are impressively extensive. Konica's technology is so far ahead that the world's smallest and lightest 35mm camera also has a most surprising range of high performance features which include close-up shooting and 3 flash modes. The lens is a masterpiece of optical engineering. The 23-step autofocus system is rapid and precise even in dim light. Loading, winding and rewinding are fully automatic.

Equally advantageous is that this beautifully styled camera slips so neatly into pocket or purse. So the joys of creativity can always be at your side.

The A4 is an excellent example of Konica's original thinking and unusual capabilities. This award-winning camera is the result of Konica's commitment to excellence and to new concepts in cameras that will set new standards.

Konica A4

UK COMPANY NEWS

IMI rises to £63.5m but urges second half caution

By Paul Cheeseright, Midlands Correspondent

IMI, the Birmingham-based international engineering group, managed to lift first half profits but warned that "some caution for the second half is both prudent and necessary."

This warning of more difficult trading conditions, although scarcely different from one issued last May, chimed with the market's gloomy mood and the shares fell 9p to 208p.

But figures for the six months to end-June were broadly in line with market expectations. Pre-tax profits rose from £60.1m to £63.5m on the back of turnover ahead from £540m to £547m.

There is a tendency for IMI to draw in more profits during the second half than the first. However, expectations of a rise in profits to about £130m for the full year, against £125.3m for 1989, may be clouded by a variety of factors.

These include the downturns in the UK and US economies, the unpredictable effects of the tension in the Middle East and the fact that IMI is less likely in the current half to repeat the first half gain of £1m on currency translations.

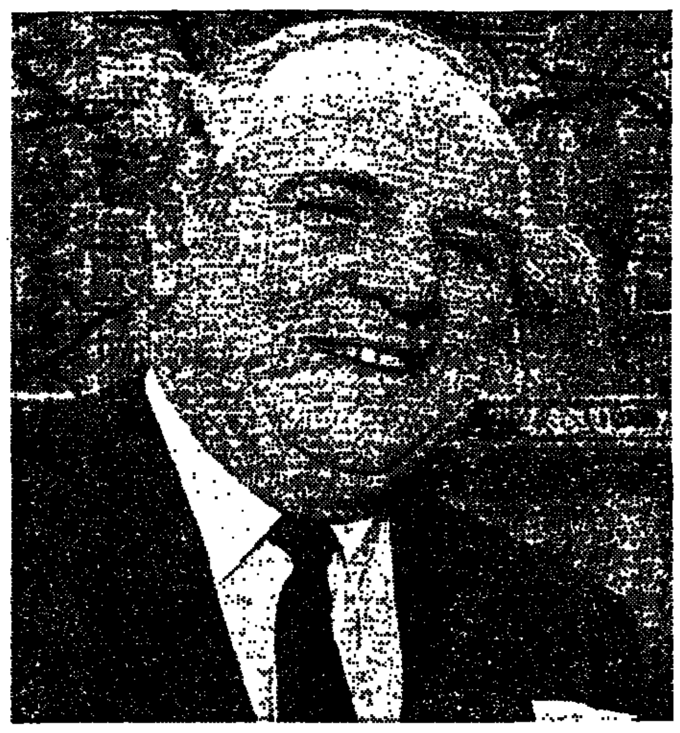
The group in headed by Mr Gary Allen, chief executive, and in recent years it has diversified both its main range of products and its markets. With over half of its sales now outside the UK, IMI is hoping that what it loses on the swings it will gain on the roundabouts.

Thus its copper tubing and fittings sales will be hurt by the depression in the UK construction industry and its drink dispenser business in the US will have to come to terms with a saturated market.

On the other hand, the continued buoyancy of the civil aviation industry bodes well for its titanium sales. And, generally, the continental European markets for the products of its five main operating divisions - building products, drink dispensing, fluid power, special engineering and refined metals - remain strong. Indeed, delivery dates for building products in West Germany are being pushed outwards because of the high demand.

IMI is holding its capital expenditure this year at roughly the level of 1989 – between £45m and £50m. Gearing by the end of the year, having risen in the first half, is expected to revert by December to 5.3 per cent, the same level as the end of 1989.

Earnings per share were 12.8p (12.1p), providing triple cover for an interim dividend of 4.2p (3.8p).



Chief executive Gary Allen: diversified main IMI products

US expansion for Royal Bank

By David Lascelles, Banking Editor

THE ROYAL Bank of Scotland is expanding its US presence by acquiring 22 bank branches and assets of $870m (£463m) in Rhode Island.

The acquisition, which is subject to regulatory approval, is being made through Citizens Financial, Royal's existing banking subsidiary in New England.

If completed, it will bring Citizens' branch network to 52 and take it into several communities where it is not currently represented.

The business is that of the Bank of New England – Old Colony, itself part of the Bank of New England group which has been badly hit by the slump in the regional real estate market.

Specifically, Royal is buying about $900m of deposits and other liabilities, as well as about $600m in assets and $270m in cash.

The sale represents a premium of about $25m.

He said the premium represented good value bearing in mind the size of the assets and the branch network being acquired.

The deal advances Royal's plan to double the size of Citizens Financial within three to five years.

In addition, Citizens is negotiating to buy BankWorcester, another bank in the region.

The two transactions would increase Citizens assets from $3.2bn to $5bn.

Carlton finds head for Abekas

By Raymond Snoddy

CARLTON Communications yesterday announced that it had found a new chief executive for its important Abekas subsidiary.

It has poached Mr Dan Wright, chief executive of Grass Valley, the main rival to Abekas in the US, in a multi-million dollar deal.

Mr Wright, who has worked 11 years at Grass Valley, including a five year spell as chief operating officer of Tektronix, its communications group, is believed to have signed a four year contract with Abekas.

Mr Bob Phillis, managing director of Carlton said yesterday: "I think this is a piece of good news for Carlton."

Abekas Video Systems, which specialises in professional video equipment and the digital storage of pictures, has been one of the most profitable parts of the Carlton empire.

There has been uncertainty over the past two months since Mr Yeshwant Kamath, one of the founders of the company, made it clear he did not want to continue as chief executive.

Mr Kamath became a non-executive director of the company on September 1.

Since the beginning of the year Carlton's shares have fallen from a high of 810p to the current 333p.

Problems at offshoot as Psion falls to £314,000

By Alan Cane

SHARES IN Psion, already at a year's low of 70p, slipped to 62p yesterday but recovered to close at 69p after the manufacturer of hand held and portable computers reported first-half figures broadly in line with its June warning of reduced profits.

Sales were £15.4m (£14.21m) for the six months to June 30, up 8 per cent but pre-tax profits were down substantially at £314,000 (£1.63m). Earnings per share were 0.87p, (5.25p) but the interim dividend is maintained at 1p.

Mr David Potter, chairman and managing director, said the shortfall in profits was chiefly a result of problems at the Dacom Systems data communications subsidiary, but also because of unexpected slowness in the market for Psion's new computers.

Turnover at Dacom, which manufactures modems was down 44 per cent at £2.3m (£3.87m) and there was a substantial loss.

The problem was that Dacom's manufacturing skills and practices had not matched its innovative ideas and the yield of properly manufactured modems had been as low as 60 per cent, resulting in unfulfilled orders and lost sales, he stated.

Mr Potter said that the founders and joint managing directors of Dacom had been dismissed and Mr Andrew Clegg, a long-time Psion manager, had been appointed managing director.

The company had expected more from its new range of mobile computers, which combine low weight with clear screens and long lasting batteries, but sales were held back by a lack of software and peripherals. That had now been remedied and a substantial advertising campaign planned, he added.

The company's original product, the hand-held Organiser, continued to sell strongly to corporations – British Telecom now has 19,000 of the devices – but retail sales were comparatively flat, reflecting, perhaps, intense competition from Japanese competitors. Mr Potter accepted that a facelift for the product would probably be necessary to increase sales.

Senior director of BOC resigns

By Tony Jackson

MR Desmond O'Connell, head of healthcare at BOC, the gases and healthcare group, has resigned in an apparent boardroom row. BOC said Mr O'Connell, 54, had resigned to pursue other business interests. No further details were given.

Mr O'Connell joined the group in 1980, with responsibility for building up its interests in healthcare. By 1985 the business accounted for almost 30 per cent of group profit, and was seen as the fastest-growing part of BOC. In recent years, however, its contribution has fallen slightly.

In 1986, Mr O'Connell was appointed group managing director, with responsibility for gases as well as healthcare. The move led to speculation that he was being groomed as heir apparent to Mr Richard Giordano, group chairman and chief executive. In March this year, in an apparent demotion, he was sent back to the US to resume responsibility for healthcare alone.

At that time, BOC said it was to seek a separate listing for the healthcare business. The company said yesterday that this plan remained unchanged.

Mr O'Connell's place is being taken by Mr Giordano until a replacement is found. Mr O'Connell, an American, is also a non-executive director of Lucas Industries.

See Lex

Richard Giordano: temporarily taking over position

Caird shares drop 68p as profits miss City expectations

By Andrew Jack and Clay Harris

SHARES IN Caird Group plunged 68p to 84p yesterday after the waste disposal company reported profits sharply below forecasts. Pre-tax profits rose from £4.84m to £5.49m in the 12 months to June 30, but analysts had predicted £8.5m to £9m.

Leaving a briefing with Caird yesterday afternoon analysts described the results as very disappointing and unexpected. After falls in the share price over the last few days, the results announcement had been brought forward from tomorrow.

The shares had peaked at 234p on July 17.

"The results were well below anyone's worst expectations," said one analyst. "The company gave us an extremely good run with good PR work."

Mr Peter Linacre, chairman, said that when the accounts were compiled three weeks ago, it emerged that operating profits were much less than Caird had earlier predicted and that write-offs would be required.

"There appears to have been some leak," said Mr Linacre. "We had an unfortunate change in expectations and someone seems to have got wind of things last week."

Mr Linacre said that rationalisation costs from recent acquisitions had cost Caird about £1m. But there was no breakdown in the accounts of the restructuring costs.

"We were left feeling there was something else," said an analyst who attended the company's briefing. "They gave no specific provisions."

Helped by acquisitions turnover doubled to £35.72m (£18.72m). There were extraordinary costs of £179,000 to cover the closure of two businesses.

Earnings per share fell to 6.01p (7.85p). The board declared a second interim dividend of 1.2p to make a total of 2.37p for the 12-month period.

Caird was a property investment company when Mr Linacre, a former stockbroker, moved in as chief executive in June 1987 backed by institutional investors. Mr Linacre took Caird into waste disposal with some 50 acquisitions, catching an early ride on the wave of "green" consciousness among investors.

Pre-tax profits jumped from £49,000 in the year before Mr Linacre's arrival to £1.46m in 1987-88, then more than trebled in the next 12 months. The company raised £12.5m through a one-for-two rights issue in September 1988 and another £34.5m through a convertible preference issue 13 months later.

Caird said yesterday it was restructuring the business and that the period of acquisitions was over. Two boards, one focused on strategy and the other on operations, would be merged.

Cantors chief champions customers of failed stores

MR HAROLD CANTOR, chairman of the Cantors retail furniture chain, called for better treatment of customers of failed furniture retailers with the announcement of his group's annual results.

"Customers deposits should rank as preferential creditors in front of banks and trade suppliers, thus protecting the consumer and introducing a further element of prudency in lending and credit, putting the responsibility and cost where it belongs", he said.

But he opposed the suggestion of an industry wide deposit insurance scheme. He failed to see why conservatively managed and financed companies should be expected to support such a scheme.

Sales for the year to April 28 increased to £49.56m (£43.08m), and pre-tax profit rose 32 per cent to £3.99m (£3.04m).

Earnings were 17.9p (15.55p) and the dividend is raised to 4p (3p) with a proposed final of 3p.

Trading was currently ahead, "but we cannot expect to remain immune indefinitely to the effect of high interest rates on demand for our products, and the effects of the downturn in the housing market", he warned.

Peek profit shows little change at just over £6m

By Jane Fuller

PEEK, the electronics group specialising in traffic and data systems, showed a slight increase from £5.83m to £6.03m in pre-tax profits for the first half of the year.

Turnover was little changed at £35.02m (£35.07m). Mr Ken Maud, chief executive, said this reflected four disposals in the non-core components business left over from the Dubilier acquisition in 1988.

The figures included contributions from two acquisitions made earlier this year.

Operating profit expanded by 14 per cent to £5.32m following the disposal of the lower margin businesses and a drive to keep down costs.

Peek had £18.6m net cash in December and this had fallen to about £8m following an extra tax payment and cash outgoings for acquisitions.

This reduced the interest gain from £1.16m to £714,000.

Mr Maud said the two core divisions of traffic and data accounted for about 70 per cent of sales and 80 per cent of profits.

Traffic management was a beneficiary of increased congestion and the growing demand for the electronic monitoring of vehicles.

On the vehicle information side, the formerly disappointing Polytechnic Electronic subsidiary had been switched from marine navigation to land applications, such as tracking fleet vehicles.

The data capture business, which revolves around the Husky robust portable computers, had made a more modest first-half contribution because of a bias in deliveries towards the autumn.

Porta-Printer Systems, a US acquisition, had been integrated on the Husky site.

The measurement activities, which include monitoring petrochemicals and water, had shown reasonable growth.

Progress in the core businesses was held back by the components operation.

Greenpar, in the UK, and Edac in Canada had suffered from slack demand from both UK and US computer and telecoms industries.

Earnings per share were 3.98p (3.83p) and the interim dividend is 1.05p (1p).

● COMMENT

The length of time it is taking to slough off the low-margin electronic components activities has taken the shine off the avid-growth image which used to be attached to Mr Maud's forward thrust from the old Peek shell. However, Dubilier was bought for its cash rather than its connectors and the sale of the last two bits could add at least £12m to the roughly £45m picked up so far. The core businesses, showing organic progress of 15 per cent, are in fertile areas for long-term growth, from combatting traffic congestion to checking up on waste. Short-term, earnings are likely to remain flat because of the components business and adverse translation of dollar contributions. A profit forecast of £12m gives an undemanding prospective p/e of 7.2 on yesterday's closing price of 57p, sweetened by a prospective yield of more than 8 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bowater	int	9.6†	-	8.5	-	18.5
Capital Leasing§	fin	nil	-	0.57♣	0.4	0.57
Caird	fin	1.2	-	1.333*	2.366*	2.166*
Cantors	fin	3	Nov 8	2	4	3
CRH	int	2♣	-	1.75	-	5.25
Delaney	int	nil	-	1.3	-	1.5
Dunton §	fin	nil	-	0.52	0.48	1
EFT	int	0.3	-	0.3	-	1
European Home	int	2.5	Nov 19	2.5	-	6
IMI	int	4.2	-	3.8	-	9.5
Isotron	fin	2.07	Nov 16	1.73	3.12	2.6
Lambert Howarth	int	3.6	Oct 25	3	-	10
MTM	int	1.7†	Oct 24	1.4	-	4.2
Peek	int	1.05	Jan 4	1	-	3.3
Porvair §	int	1	Oct 19	0.9	-	2.7
Provident Fncl	int	8☆	Nov 8	7	-	20.5
Psion §	int	1†	-	1	-	2.4
Ropner	int	3.5	Dec 28	3	-	7.5
Sedgwick	int	4	-	4	-	12
Sharpe & Fisher	int	1.5	Oct 31	1.5	-	4
Shorco §	int	2.4	-	2	-	4.5
Usher (Frank) §	fin	4	Oct 26	4	6	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ♣Irish currency

UK COMPANY NEWS

Acquisitions help CRH rise 18%

By Andrew Jack

SUBSTANTIAL acquisitions helped boost pre-tax profits at CRH, the international building materials group, by 18 per cent from I£27.18m to I£32.13m (£28.92m) in the half year to June 30.

The Dublin-based company, one of the largest in Ireland, announced turnover up 20 per cent at I£603.28m (I£500.87m). Trading profits rose to I£44.8m (I£36.5m), which the company said was due to "strong improvements" in Ireland and mainland Europe and "very modest increases" in the US and the UK.

Mr Tony Barry, chief executive, said that more than three quarters of the increase in sales came from acquisitions including the purchase of Coalite in the UK, and HGP Industries in the US. He said he was "quite satisfied with the results."

The continued recovery of Irish construction activity which began last year helped lift domestic cement sales and other construction materials.

There was improved trading in the Netherlands, including what the company called an "outstanding" performance from the Van Neerbos Gamma DIY stores.

The strength of commerce, industry and infrastructure helped maintain good results in Spain in spite of high interest rates which are depressing residential construction.

But declining housing activity "had an increasingly depressing effect" on merchanting operations in Britain. One business, Anchor Tile, had performed better than expected because of unexpected demand following storm damage earlier this year.

Markets were weak in the southern and mountain states of the US, although there was strong growth in the Pacific states.

CRH spent I£114.7m on acquisitions, investments and capital projects during the first half, mainly funded through two convertible capital bond issues in March. Its gearing stands at 25 per cent.

Mr Barry said CRH would be affected by the intensifying downturn in UK construction, slowing demand in Irish agriculture and the uncertainty surrounding the Gulf crisis.

But he added that the company's strategy of geographic, currency, sectoral and product balance should ensure full year results show an improvement on a record 1989.

Fully diluted earnings per share came to 8.8p (7.22p). The interim dividend is 2p (1.75p).

The shares closed down 3p at 203p.

● COMMENT

Balance is the key for CRH, which has sustained impressive results in the construction sector in spite of the downswing in the UK. The company learnt its lesson in the late 1970s when its main market, the Irish Republic, began experiencing a cyclical downturn. It successfully diversified into the UK, Europe and the US, and Ireland now contributes less than 20 per cent of turnover. The geographical spread is enriched by the diversity of operations: high margin primary materials in Ireland and some US activities, but also with merchanting, DIY and other secondary businesses to cushion the blows affecting any one sector. Gearing is low, and a forecast year end pre-tax profit of I£90m gives a p/e of 8.8.

Building companies try to last out a grim roller-coaster ride

Andrew Taylor assesses the bleak outlook as one of the UK's worst housing market slumps continues

SELLING houses during Britain's drought ridden summer has been as frustrating as trying to sell umbrellas and raincoats.

The impact has been devasting for many small and medium-sized construction companies and for building material companies which rely on the housing market for most of their sales.

Mr Bobby McAlpine, a fourth generation of the famous McAlpine construction family and chairman of Alfred McAlpine, says it is the most disastrous UK housing market he can remember.

Stocks of unsold bricks on factory forecourts have risen to more than 1bn, the highest level since 1982. Receivers and job centres have been kept busy as company failures and redundancies have mounted across the construction sector.

This morning two of the biggest UK construction companies, Wimpey and AMEC – and Blue Circle, Britain's biggest cement company – will announce figures for the six months to the end of June. All are expected to show a fall in profits.

City analysts, however, will be as much interested in hearing about current market conditions as the figures themselves.

Mr Andrew Melrose, construction analyst at SG Warburg says: "I do not think investors are aware of how bad conditions have got across a wide area of UK construction. We are forecasting that construction output will fall by between 5 per cent and 5½ per cent in the UK this year and by 6½ per cent next year."

The fall in house sales in recent months has been accompanied by an almost equally savage reduction in sales of commercial property, particularly in London and south-east England which led the commercial building boom in Britain during the late 1980s.

Commercial property values have fallen by 15 per cent to 20 per cent in the City of London as demand from institutional investors has dried up.

Conditions in the UK commercial property market, measured by comparing falling sales value of buildings against the rents paid by tenants, are now as bad and in some cases worse than during the property crash in the mid-1970s, according to chartered surveyors Hillier Parker.

The average yield of rents over sales value for office investments at 8.2 per cent has overtaken its previous high of 8.1 per cent in 1975. Shop yields of 7.3 per cent are the highest since 1975 and industrial yields of 10.2 per cent are only just below their 1986 peak.

Mr Malcolm Brown, construction analyst with stockbroker James Capel, says: "Life has got significantly worse since the first three months of the year. This does not bode well for the second half of the year.

"Companies, particularly those which capitalise interest, could be forced by the end of this year to make substantial provisions on both commercial and residential developments to take account of falling values."

Trafalgar House, the construction, property, shipping and hotels group which capitalises interest on its developments, is one company expected to make large provisions on commercial developments.

The fall in commercial property sales also mean fewer private sector schemes are being started. New orders have fallen sharply and contractors have spoken of margins being shredded on private commercial work in the south.

One curtain walling company says it lost eight orders it had expected to win during the two months to the end of August because private sector schemes had been deferred for at least nine to 12 months. This represented about 30 per cent of the work it had expected to win during that period.

"One of the schemes was also cut back by at least 50 per cent and with no guarantee that the work will eventually proceed," said the company. Further sharp fall in new orders are expected as the deterioration in the commercial market affects other centres.

Mr Brown says the bottom for many construction and building companies will not be reached this year and that earnings and profits may have further to fall. The commercial property roller-coaster, the largest single area of new construction work will next year "still be plunging downwards at break neck speed," he says.

SG Warburg forecasts private commercial construction output will fall by 26 per cent next year. This follows annual increases of 13 per cent, 18 per cent, 15 per cent and 26 per cent in the four years to the end of 1989.

"The high pace of development has left too many buildings chasing too few tenants at a time when companies face high interest rates and are cutting back on investment," says Warburg.

Any hope hopes that earnings of construction and building materials companies recovering next year will depend on a fall in interest rates leading to a recovery in house sales and higher investment in road and water construction.

Unfortunately at this stage neither looks like being sufficient to offset the downturn in private sector construction.

The housing recovery on most forecasts is expected to occur later rather than early next year. Any upturn is expected to be gentle rather than modest. Investment in roads and water is arising more slowly than the industry would like and is unlikely to bridge the gap caused by the fall in private construction.

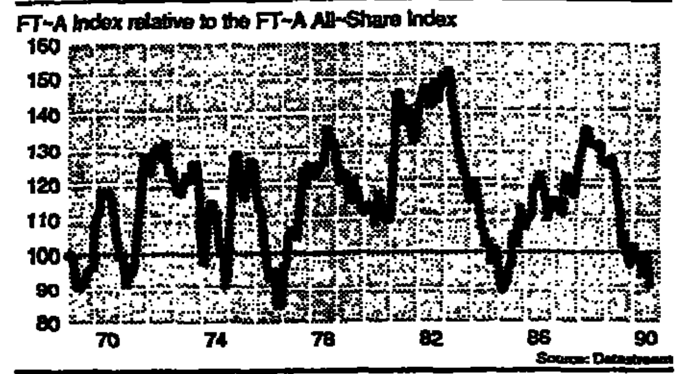
Most vulnerable will be companies with large borrowings and historically heavily dependent on residential and commercial property sales for profits. The US, for those companies with large subsidiaries in that country, is unlikely to provide the cavalry to rescue poor UK earnings. The outlook for construction in many parts of the US, particularly housing in the north-east is as bleak as the UK – although there are pockets of resistance in the US.

Companies which will fare best are those with a strong presence in continental Europe, most notably in Germany where construction output is forecast to rise strongly over the next two years. British companies which fit this profile are almost entirely building materials companies such as: RMC Europe's biggest concrete producer; Redland, Europe's concrete tile producer; Pilkington, the glass group; and Steetley, the biggest aggregate producer in France.

The outlook for companies selling to the UK housing and private commercial property markets was looking bleak even before the invasion of Kuwait by Iraq. Now it looks even worse.

Contracting & Construction

FT-A Index relative to the FT-A All-Share Index



New turn in Conroy battle as two directors resign

By Kenneth Gooding, Mining Correspondent

THE BATTLE for Conroy Petroleum and Natural Resources, the USM-quoted company which owns a potentially world-class lead-zinc deposit at Galmoy, County Kilkenny, took a new turn yesterday with the resignation of two directors and the revelation that both Outokumpu of Finland and Corona of Canada had been buying more Conroy shares in the market.

Mr Heikki Solin and Mr Graham Mascall, representatives on the Conroy board of Outokumpu, the state-owned Finnish mining and metals group, resigned because of differences of opinion with the other directors.

Outokumpu, which owns and operates the Tara lead-zinc mine in Ireland, has also ceased to be technical adviser on the Galmoy project. Mr Mascall said: "There was intransigence by the other directors in the face of what was needed to be done to ensure the success of the Galmoy project. It was difficult to build a sensible, long-term relationship and in the end we decided it was better to leave the board."

He insisted Outokumpu had "no present intention of making an aggressive bid for Conroy."

Conroy said the break came to a head because of remarks made to an Irish newspaper by Mr Mascall in which he suggested that, at 132p each, the Conroy shares were "fairly valued."

Conroy's shares, 90p until the recent market battle between Outokumpu and Corona began, fell by 3p to 127p yesterday after news of the boardroom row.

Mr Mascall said Outokumpu saw matters in a different light to most of the other board members.

Meanwhile, Corona, one of the largest North American gold producers, revealed that it had bought enough Conroy shares to take its holding in the Dublin-based company to 28.26 per cent, just below the 29 per cent level which would automatically trigger a bid.

Outokumpu by Monday evening had built its stake to 26.6 per cent.

EFT warns on full year after 42% midway fall

By James Buxton, Scottish Correspondent

EFT GROUP, the Edinburgh-based financial concern, yesterday reported a 42 per cent fall, from £712,000 to £413,000, in pre-tax profits for the half year to June 30.

The interim dividend is maintained at 0.3p although directors expect lower profits for the year.

Mr Hamish Grossart, managing director, blamed reduced activity and profits in its issuing house operation for the decline but pointed to solid progress in the asset finance division.

EFT financed a total of £14.2m worth of capital assets during the period, increasing outstanding receivables from £28.8m at the end of last year to £35.5m at the end of June. resources to asset finance.

The issuing house division achieved much lower profits reflecting the reduced level of activity in the corporate finance sector. In the half year, EFT advised Edinburgh Hibernian, the football club, on its successful defence against a takeover bid by the rival Edinburgh club Heart of Midlothian.

Mr Peter Stevenson, chairman, said he expected EFT's profits for the year to be lower than last year's, but he hoped to achieve "a reasonable level of profits in the second half."

He said EFT's strong balance sheet with capital and reserves of £10.3m at the end of the last financial year and relatively small size gave the company flexibility in responding to changing circumstances.

UK COMPANY NEWS

EHP steps out for Scholl's success

By Clay Harris, Consumer Industries Editor

EUROPEAN HOME Products, which has stubbed its toe black and blue in recent years, plans to put a new foot forward by changing its name to Scholl.

The foot care and personal products business contributed most of the £11.47m interim pre-tax profits reported yesterday by EHP.

Trading profits from continuing businesses, including Scholl, rose by 14 per cent to £13.5m on turnover ahead by 22 per cent to £87.3m in the six months to June 30.

Because of upheaval in the past year, however, most other previous figures are not comparable.

In the 1989 first half, EHP reported pre-tax profits of £17.1m, after a £10.86m exceptional credit, on sales of £188.6m.

Since then, it has sold its Spanish and Portuguese retail interests and the Singer sewing machine business. EHP said yesterday the pro forma pre-tax figure for the 1989 period was £20m.

It has not yet found buyers for two fashion hosiery companies, Werner in West Germany and Ipco-Amcor in the Netherlands. First-half operating losses from these businesses are subsumed in a £3.29m extraordinary credit.

This omnibus item was described yesterday by Mr William Bingham, finance director, as a "purely estimated figure."

Although not itemised, it also includes the profit on the sale of Singer to International Semi-Tech Microelectronics, the expected loss on the hosiery disposals, and payments to Mr Doug Ash and Mr Leslie Dingle, chief executive and deputy chief executive respectively, who left in February.

Mr Neil Franchino, chief executive, said the name change to Scholl reflected the company's plan to focus on personal care. The EHP name also had "negative implications."

Mr Gordon Stevens, a retired Unilever director, has been named non-executive chairman.

The UK accounted for 26 per cent of sales in the latest period, followed by Italy with 21 per cent and France with 16 per cent.

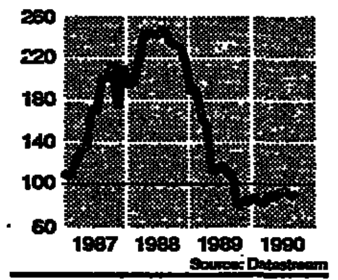
In addition to Scholl, EHP owns Valdor, the French cosmetics company, and Bioderma, the Italian skincare concern. It also holds licences in some countries for Coppertone, Allergan, Playboy and some AG Bayer personal care products.

Earnings per share were 10.3p, against a stated 0.1p loss (excluding the exceptional gain) in 1989. Pro forma earnings last year were 6.1p.

The interim dividend is maintained at 2.5p.

European Home Products

Share Price relative to the FT-A All-Share Index



Source: Datastream

● COMMENT

High hopes for the old EHP led many people astray, although there was nothing wrong with the conception of a wide-ranging grab bag of European retailers. Dogged by bad luck, management just was not able to carry it off, and the company's bankers headed off potential disaster by forcing disposals. The new-found focus will cause shareholders to lose less sleep, but takes away much of the exciting potential. As clean as the p&l statement looks above the line, a lot of loose ends remain to be tied up in that extraordinary item, so caution is still the watchword. Since the business is now heavily skewed towards the first half, expect a full-year pre-tax total of about £14.5m, putting the shares on a prospective p/e of 12.

See Observer

Kynoch shares fall 78p after acquisition and rights issue

By Nigel Clark

SHARES OF G&G Kynoch fell 78p to 55p yesterday following the announcement of a heavily-discounted rights issue to fund its first acquisition as part of its move into the healthcare and laboratory equipment market.

It is raising £4.4m by the issue of 9.87m shares on the basis of 5-for-1 at 50p each. The issue is being underwritten by Banque Indosuez and National Provident Institution.

A maximum of £3m is being used to buy MDH, the healthcare division of InterMed, a BTR subsidiary.

MDH makes contamination control equipment for the healthcare industry and nuclear, biological and chemical environmental protection goods.

Based in Andover it reported profits for 1989 of £451,000 before tax and management charges on turnover of £6.22m.

Kynoch, until now a textile company based in the south of Scotland, decided earlier this year to diversify into the healthcare market.

It was seen as a way of reducing its dependence on the cyclical wool textile industry.

In August it raised £1.28m by way of a placing of 1.25m shares and announced plans for restructuring the board including the appointment of Mr Kevin D'Silva, who has worked in the healthcare industry for the past nine years, as chief executive and managing director.

As part of the board changes Mr Gordon Hay, chairman, and Mr Gordon Kynoch, chief executive, have retired. Mr George Kynoch has become chief executive of Kynoch Textiles, which has been set up to take control of the textile interests as soon as possible.

NEWS DIGEST

Personal side boosts Provident

PRE-TAX PROFITS at Provident Financial, the Bradford-based consumer finance group, rose by 13 per cent in the six months to June 30, writes David Barchard.

The result – profits advanced from £9.27m to £10.47m – was described as "encouraging" by Mr Peter Hogg, chief executive. "We are on course for a year of healthy growth," he said.

Provident's personal credit division improved profits by 20 per cent, from £7.5m to £9m, but the People's Bank subsidiary had a disappointing half year, as did Lynn Regis Finance, the motor hire-purchase company.

Earnings per share were up from 11.94p to 13.45p. The interim dividend is raised 1p to 8p.

Analysts yesterday forecast that year end profits would be about £36m, compared to £31m in 1989.

Ropner shows modest increase

Against a background of mixed trading conditions, pre-tax profits of Ropner, the engineering, insurance broking, property and shipping group, showed a modest rise from £2.88m to £2.97m in the first half of 1990.

Significant changes have taken place in the period with the sale of the Hozelock garden products operation, and the disposal of MV Salmonpool and MV Iron Kestrel from the shipping division.

Shipping profits fell from £1.35m to £883,000 as a result of the disposals. However, these sales were achieved before the recent fall in values and gave rise this time to an extraordinary profit of £3.45m, after tax.

Engineering contributed £279,000 (£456,000), while garden products made £2.32m (£2.01m) reflecting a full contribution from Hozelock, the disposal of which was completed after the period end, on July 17.

Because of the changeover from a development to an investment policy, the property side incurred a £44,000 loss (£442,000 profit). Insurance broking cut losses from £220,000 to £194,000.

Group interest payments declined from £1.19m to £558,000. After tax of £1.06m (same), earnings per share were 7.7p (7p) and the interim dividend is increased by 0.5p to 3.5p.

Delaney deeper in the red at midway

Delaney Group, the furniture, shopfitting and building products group, fell deeper into the red in the six months to June 30 1990 and has omitted its interim dividend.

The pre-tax loss of £524,000 compared with a £329,000 profit for the corresponding period of 1989 and a £140,000 deficit for the second half of last year. First-half sales were £12.65m (£12.32m).

Extraordinary charges of £228,000 – being closure costs of the Archer and Drax factory in Hull – meant an attributable after-tax loss of £752,000 (£214,000 profit). Loss per 10p share was 2.4p (0.7p earnings). Last year's interim payment was 1.3p.

Mr Nat Puri, chairman, said market conditions and interest rates had affected the group's business sectors, but added "it is the task of management to produce the best results possible under whatever conditions prevail and consequently much is being done to restructure the group."

He said Delaney was undercapitalised as a result of the events of the last 18 months and cash management had become a major pre-occupation rather than a routine business discipline. The board would be writing to shareholders in the next few days with proposals to remedy this situation.

MTM expansion and acquisition

Together with the announcement of a 29 per cent advance in halfterm profits, MTM revealed it is acquiring Orsynex Corporation of Columbus, Ohio, for $5.5m cash (£2.9m).

This extends MTM's production capability for complex, high-value fine chemicals by adding a second manufacturing facility in the US. MTM also assumes responsibility for $10m of debt within Orsynex.

In the first half of 1990 MTM's turnover was £36.2m (£26m after £8m for discontinued activities) and its pre-tax profit £5.3m (£4.1m). After a 20 per cent tax charge, earnings came to 8.6p (7.8p) and the interim dividend is 1.7p (1.4p).

AAH sells glass and windows business

AAH Holdings has sold its glass and windows business for an initial £4.2m, which will go towards financing the continuing acquisition and development strategy for the ongoing core activities.

Directors regarded the glass and windows business as peripheral to the group's main distribution and services activities, and considered that both the business and the employees would have better prospects as part of a specialist glass distribution group.

The glass and glazing business was purchased by Heywood Williams Group for £3.1m while the windows side was bought by its East Yorkshire Aluminium and Glass associate. In the last financial year combined sales were £11.4m and pre-interest profit came to £295,000.

Porvair recovers with 50% advance

After a disappointing outcome to its last full financial year, Porvair, the microporous plastics manufacturer, bounced back with a 50 per cent expansion in interim profits.

Mr John Morgan, chairman and chief executive of the USM-quoted group, attributed the improvement – pre-tax profits for the six months to end-May jumped from £402,000 to £601,000 – to reduced costs resulting from "corrective action" last year and to strong sales. Turnover improved 21 per cent to £7.65m.

The interim dividend is raised 0.1p to 1p, payable from earnings of 4.9p (3.3p) per 2p share.

Lambert Howarth strides ahead

The recovery at Lambert Howarth Group, the footwear manufacturer, has continued into the first half of 1990 with profits advancing by 86 per cent.

Because of seasonal factors it was unrealistic to expect that rate of improvement to be maintained through the year, said Mr Roger Rowland, chairman. Nevertheless, he was confident of a satisfactory outcome.

Turnover came to £20.73m (£23.22m) and pre-tax profits to £1.33m (£710,000). Sales of the ongoing businesses showed a small increase with the outstanding feature being the performance of the summer canvas shoe range. Their success had helped to even out the profit generation between the two halves of the year, Mr Rowland explained.

The interim dividend is 3.6p (3p), payable from earnings per share of 16.4p (9p).

The group would be budgeting for a contribution next year from John Graham Shoes, the recent acquisition.

Building slump hits Sharpe & Fisher

Reduced demand for building products and lower property development profits, together with higher interest charges, left pre-tax profits of Sharpe & Fisher at £853,000 in the first half of 1990.

That represented a drop of 62 per cent on last time's £2.27m, and came from turnover slightly lower at £23.26m (£23.98m).

Central costs were being reduced in line with the decision to concentrate on the core businesses of property and building materials.

In building supplies, the fall in sales volume led to a substantial reduction in staffing. Gross margins were maintained but operating profit fell 36 per cent to £664,000.

Rental income rose 25 per cent to £793,000, but on the development side profit declined 72 per cent to £288,000, being the surplus on the sale and leaseback of the north Cardiff branch.

Interest charges jumped to £625,000 (£104,000).

Earnings worked through at 2.7p (7.1p). The interim dividend is held at 1.5p but directors warned on the likely amount of the final (2.5p last time).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- AMEC, Allied Partnership, BAT Inds, Blue Circle Inds, Booker, Croda Intl, Dossion Tyson, Fairhaven Intl High Inc Inv Trust, Hambro Countryside, Hillsdown, Nestor-BNA, Quicks, Save & Prosper Gold Fund, Senior Engineering, Stat-Plus, TLS Range, T&N, Thames Television, Wiggins Teape Appleton, Williams Hldgs, Wimpey (George). Finals- Black (Peter), Heritage, SelecTV.

FUTURE DATES

Interims-	
Bletchley Motor	Sep. 13
Bluebird Toys	Sep. 18
Bostrom	Sep. 26
Butler Cox	Sep. 7
Estates & General	Sep. 25
Firstland Oil & Gas	Sep. 13
Hampden Homecare	Sep. 25
Hartons	Sep. 11
Laser Scan	Sep. 10
MTL Instruments	Sep. 20
Page (Michael)	Sep. 11
Redland	Sep. 27
Refuge	Sep. 27
Wyevale Garden Centre	Sep. 12
Finals-	
Cornwall Parker	Sep. 24
Gold Petroleum	Sep. 20
Haggas (John)	Sep. 13
Interlink Express	Sep. 18
North American Gas Inv	Sep. 12
Precious Metals Trust	Sep. 11

COMPANY NOTICES

The Trade Mark(s) set out below were assigned on 30th November 1989 by:

Specialist Software Limited of 20/21 Tooks Court, Cursitor Street, London EC4A 1LB

To:

Bondspec Financial Information Limited of 20/21 Tooks Court, Cursitor Road, London EC4A 1LB

WITHOUT THE GOODWILL OF THE BUSINESS OF THE GOODS FOR WHICH THE TRADE MARK(s) ARE ASSIGNED.

Number	Mark	Goods
1277633	BONDSPEC	Financial management services financial valuations, financial research and financial analytical services, all for bonds and for securities

TO HOLDERS OF MATSUYADENKI CO., LTD.

Warrants to subscribe for shares of the Common Stock of Matsuyadenki Co., Ltd. (the 'Warrants') issued in conjunction with U.S.$70,000,000 4⅞ per cent. Guaranteed Bonds Due 1993

NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(C) of the Instrument dated 18th August, 1988 relating to the Warrants (the "Instrument"), notice is hereby given as follows:

On 5th September, 1990, Japan time, Matsuyadenki Co., Ltd. (the "Company") issued in accordance with the resolution of its Board of Directors at a meeting held on 20th August, 1990, Yen 10,000,000,000 4.6 per cent. bonds due 1994 with warrants to subscribe for shares of common stock of the Company at the subscription price of Yen 2,604 per share which is less than the current market price of shares of common stock of the Company (as defined in the Instrument) on 27th August, 1990 (the date on which the Company fixed the said subscription price) of Yen 2,832.30.

As this result, the Subscription Price of the Warrants has been adjusted pursuant to Clause 3(vii) of the Instrument as follows:

1. Subscription Price before adjustment: ¥2,266.00
Subscription Price after adjustment: ¥2,249.50
2. Effective Date of the adjustment: 5th September, 1990

MATSUYADENKI CO., LTD. Osaka, Japan
By: The Kyowa Bank, Ltd. as Principal Paying Agent

5th September, 1990

PERSONAL

Robert Holmes à Court

A friend and inspiration. My sincerest condolences to the family.
Benjamin Shipman

COMMODITIES AND AGRICULTURE

Brazil 'prepared to curb excess production of tin'

By Lim Sion Hoon in Kuala Lumpur

BRAZIL, THE world's biggest tin producer, is prepared to limit its production when it joins the Association of Tin Producing Countries later this year, said Mr Redzwan Sumun, the association's executive secretary, on his return from a visit to Brazil. That could mean a cut of up to 12,000 tonnes from the 56,000 tonnes Brazil is estimated to have produced last year.

"That to me," said Mr Rwdzwan, "is a major policy shift."

Until now the ATPC has relied on export quotas, rather than production curbs, to control supply. But with stocks accumulating, the world market soft and prices on the decline, the limitations of the export strategy have been revealed and the group is now stressing production controls as the "philosophical principle" underlying the export regulations.

Existing ATPC members have so far adhered to an output regime that follows closely their individual export quota. But Brazil, as an observer member, has been producing far in excess of its 45,000-tonnes-a-year voluntary export limit, with much of the excess output seeping into the market by the backdoor through Bolivia, an ATPC member which has been producing below its export quota.

Production cuts to prevent smuggling and to deplete stock levels is now thought to be imperative. Last year the "leakage" was estimated by the ATPC to be as high as 13,000 tonnes.

With Brazil having now agreed in principal to impose production controls, Mr Redzwan said the only substantial issue left to be tackle by the ATPC members was the size and distribution of export tonnages.

Ministers of the seven present members and Brazil are scheduled to meet on October 2 to formalise their decision.

Mr Sumun, who seemed pleased by the outcome of his presentation to Brazilian officials and miners, also said there was no plan to move the ATPC secretariat out of Malaysia.

In the Kuala Lumpur Tin Market yesterday prices declined for the fifth day in succession to close at M$15.10 (£3) a kilogram, a 12 cents decline from Monday and 44 cents down from last Thursday's level. In comparison, the low reached after the October 1985 crash was M$14 a kilogram.

Over the past 16 days, Kuala Lumpur prices have fallen by 12 per cent to reach the present four-year low.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	- 100	to 136,375
Copper	- 525	to 132,550
Lead	- 100	to 39 900
Nickel	- 282	to 4,050
Zinc	- 100	to 43,175
Tin	+ 350	to 12,080

Welsh protest against French attacks

ANGRY WELSH farmers yesterday demonstrated outside the French Embassy in London against French attacks on British meat exports, writes Our Commodities Staff.

The farmers handed in protest letters to the embassy as well as at the Ministry of Agriculture and the Welsh office.

Sir Simon Gourlay, president of the National Farmers' Union, told the 500 protesting farmers that the French attacks on British livestock, which have included burning live sheep as well as carcasses, were "barbaric". However, he said that although exports were suffering some delays they were getting through.

Sir Simon and other senior NFU officials are to meet UK Government officials today and will press for a financial package to protect Britain's farmers similar to the £119m aid package given last week to French farmers affected by both drought and collapsing livestock prices.

Next week, NFU officials are to meet the French farmers' union in Paris and EC representatives in Brussels to discuss the issue.

The European Commission is closely monitoring the situation, a spokesman for Mr Ray MacSharry, the commissioner for agriculture said yesterday. It was noted that the French authorities had given a commitment to protect free trade.

In the past couple of weeks prices of both beef and sheep had stabilised, the spokesman pointed out. Prices were tending to rise for sheepmeat and the Commissioner expected consumption to pick up in the autumn.

Prices of both beef and sheepmeat have been falling in the EC over the past few months, partly because of reforms to the Common Agricultural Policy designed both to cut costs and to even out disparities between member states in the sheepmeat sector in particular. Fundamentally production is outstripping demand, with "mad cow disease" (BSE) having an additional impact on beef prices.

Canada and EC shape up for fishing row

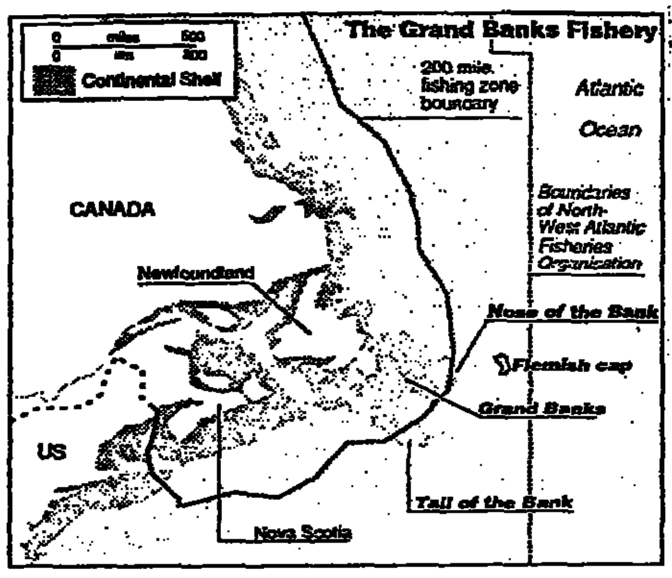
Brussels is on the defensive as fresh catch cuts are called for, writes Tim Dickson

THE TENSIONS between Canada and the European Community over the size of fish "catches" in the Northwest Atlantic appear to have eased marginally his year. But a call next week for further sharp cuts in the international fishing effort in three areas just outside Canada's 200-mile zone promises to put new pressure on relations between Ottawa and Brussels.

The annual meeting of the Northwest Atlantic Fisheries Organisation (Nafo), which gets under way in Halifax, Nova Scotia on September 10, will hear scientific advice that catches of key cod and redfish stocks on and beyond the Grand Banks of Newfoundland should be reduced significantly in 1991.

If recent precedent is anything to go by 11 of the 12 contracting parties (including Iceland, Japan and the Soviet Union) will agree to total allowable catches for all the relevant stocks at or close to the levels recommended by the scientific experts. On past form the EC, the 12th member, is likely to invoke the Nafo "objections procedure" and over the next few weeks and months will move unilaterally to fix higher limits of its own choosing.

Such actions – begun when Spain and Portugal joined the Community in the mid-1980s – have infuriated Canada and provoked allegations that European overfishing is jeopardising the recovery of a rich and famous region first discovered at the end of the 15th century by the Italian explorer John Cabot. Local fishermen have been suffering the most severe cutbacks in history – processing plants have been closed and trawlers taken out of service – so it is not surprising that EC boats are being depicted by politicians and industry leaders as the villains of the piece.



All this leaves Brussels firmly on the defensive though Mr Manuel Marin, the EC Fisheries Commissioner, has demonstrated this year that he is not insensitive to the Canadians' plight. His problem is that the EC's own stocks are also dwindling and that in the face of cuts in home waters he is under intense political pressure to preserve existing fishing grounds and find new ones for the EC's outsized fleet.

The Nafo row centres on three areas just outside Canada's 200-mile zone colourfully known as the Nose of the Bank, the Tail of the Bank, and the Flemish Cap. The Flemish Cap is an area of relatively shallow water beyond the outer edge of the Grand Bank of Newfoundland - but the "Nose" and the "Tail", as their names imply, are part of the great continental shelf and are areas where most of the international vessels lurk, scooping up anything that crosses the line.

Nafo managed these waters without major incident until 1986 when the EC began to lodge objections to its conservation decisions and set higher quotas for itself. According to officials in Brussels, EC negotiators continue to take issue with the Nafo measurement of fishing effort known as F0.1 which is a level of fish mortality that provides for the long term rebuilding of commercial stocks.

Brussels still thinks this is too conservative – it prefers "FMax" – and resents Canada's powerful influence in an organisation which tends to stick closely to the scientific advice. EC scientists, by contrast, tend to offer member states a range of figures, conveniently allowing fisheries ministers in the annual TACs and quota negotiations some room for political manoeuvre.

After four years of what the Canadians termed "enormous catches" the EC took a step in the right direction last autumn: although it took issue with some TACs the overall EC fishing effort in the Nafo area was reduced to around 60,000 tonnes – compared with the 180,000 tonnes of cod, red fish and flat fish that Brussels awarded itself in 1989.

A further improvement in the bilateral relationship followed the visit to Canada earlier this year by Mr Marin. As a result both sides agreed to work jointly to plug gaps in their scientific knowledge of the stocks, to help bolster Nafo's international enforcement scheme, and to take steps to outlaw fishing by countries that are not contracting parties to the Nafo convention, notably "flags of convenience" states like Panama. Embarrassingly for the EC much of the estimated 30,000 tonnes of fish "illegally" caught in this way is linked to Spanish and Portuguese companies and landed in European ports.

Most of these issues, however, are peripheral to the main dispute, even if they are important in their own way. Canada points out that the EC catches between 1986 and 1989 have forced other Nafo members to reduce their take and that quotas on two important flatfish species, for example, were reduced by 60 per cent over the period. The EC's change of tack last year may have gone some way to cool tempers but large discrepancies between EC figures and Nafo recommendations remain, notably in the stock known as 3M cod, which is seriously depleted and where a moratorium is being proposed again for next year.

The Nafo scientists advise, meanwhile, that the TAC for 3NO cod, should be reduced to 13,600 tonnes from 18,600 tonnes this year (and 33,000 tonnes in 1986); that 3LN redfish, another important straddling stock that can be fished inside and outside the Canadian zone, should be lowered to 14,000 tonnes from 25,000 tonnes; and that the redfish TAC in 3M should be cut from 50,000 tonnes to 43,000 tonnes in 1991.

Quite how the EC will react is not yet clear but no-one seriously expects the Brussels representatives to go along with everything agreed by the other Nafo parties. Although Mr Marin has plenty of reasons not to rock the boat further – he would like to negotiate extra fish for EC vessels in Canadian waters as well as permission to call at Canadian ports – the Nafo quotas represent an important extra card to play in the EC's internal TAC and quota negotiations.

The negotiations, which are scheduled, as usual, to come to a head in mid to late December, are already shaping up for a hard, uncompromising battle.

● Canada is hosting a three-day conference starting today in St Johns, Newfoundland, for consultation by experts on the Law of the Sea under which states excercise rights over fisheries up 200 miles from their coastlines.

Big rise forecast in EC harvest

By Bridget Bloom, Agriculture Correspondent

EC GRAIN production will rise markedly over the next five years even if existing mechanisms to cut production and costs are successful, a farm conference in The Hague was told yesterday.

A study conducted by West German economists at Bonn university predicts a cereal crop of 167.4m tonnes in 1995 provided both that many more farmers decide to take land out of production in the set-aside programmes and that existing budget stabilisers for cereals remain in place.

However without set-aside the EC grain crop could reach 179m tonnes in 1995 and without stabilisers 183.5m tonnes, the study, presented to the Sixth European Congress of Agricultural Economists, said. Production this year is estimated at 162m tonnes.

Cadmium 'facing environmental threat'

By Kenneth Gooding, Mining Correspondent

TIGHTENING environmental legislation has serious implications for cadmium, one of the most toxic metals known to man, according to a new study by the Roskill Information Services market research group.

In particular, collection and recycling of nickel-cadmium rechargeable batteries, used in a wide range of consumer electronic equipment, is essential, "not only to avoid contamination of the environment, but also to provide an important source of secondary cadmium production which would help tight supply problems."

Japanese output of nickel-cadmium batteries has grown by an annual average of 20 per cent since 1980, Roskill says, and this contributed to cadmium consumption reaching a record 18,364 tonnes in 1989 – the third year running that consumption exceeded supply.

Roskill concludes that both primary and secondary cadmium production capacities are likely to increase during the early 1990s.

But it warns that a European Community directive proposed in 1988 suggested cadmium should be used only where no satisfactory alternative existed.

And it points out that new safety standards proposed in February this year by the US Government's Occupational Safety and Health Administration (OSHA) would reduce work-place exposure to cadmium by 90 to 95 per cent. This would affect about 512,000 employees in a wide range of industries including electroplating, welding, plastics, ceramics and paints.

Opponents of the proposal say implementation would cause the demise of the US cadmium industry. OSHA estimates it would prevent 14 cancer deaths and up to 189 kidney malfunction cases a year.

"Economics of Cadmium (Seventh edition). £490 or US$980 or DM1,715 from Roskill, 2 Clapham Road, London SW9 0JA

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,630-1,700 (1,650-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.80-3.05 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.70-2.90.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.50-12.40 (11.30-12.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 190-220 (195-225).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.90-2.94 (2.85-2.90).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50 (4.80-5.40).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 37-51 (37-53).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.75-2.95 (2.80-3.05).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.70 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed on the London bullion market down nearly $5 a troy ounce – just above the day's lows – on market sentiment that military conflict in the Gulf is unlikely this week. Dealers partly attributed the fall to a statement by a Palestinian leader that Iraq may be ready to quit Kuwait if the US guarantees it will not attack and if Baghdad is allowed to keep a strip of Kuwaiti territory. This was perceived as a slight softening in Iraq's position. It was also thought unlikely that the US would attack ahead of Sunday's Bush/Gorbachev summit. Silver fell to 475 cents an ounce, the lowest level since 1977. "The more time it holds around these levels the more likely we are to see pressure on the downside. Technically, it doesn't look too great at the moment," one dealer said. On the LME aluminium moved ahead on talk that LME stocks are set to fall over the coming weeks. Yesterday's LME stock figures were expected to show a fall higher than the actual figure of 100 tonnes. But traders said the market soon shrugged off the news. When it was evident there was no follow-through to Monday's investment fund profit taking the market began to rally.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$26.35-6.45w	-.225
Brent Blend	$29.05-9.10w	-.025
W.T.I. (1 pm est)	$29.18-9.21w	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$419-422	+17½
Gas Oil	$284-285	+1
Heavy Fuel Oil	$105-110	
Naphtha	$294-297	+7½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$382.25	-4.75
Silver (per troy oz)♣	475c	-9
Platinum (per troy oz)	$483.90	-3.85
Palladium (per troy oz)	$111.30	-0.80
Aluminium (free market)	$1855	+5
Copper (US Producer)	134c	+¾
Lead (US Producer)	50c	
Nickel (free market)	520c	+5
Tin (Kuala Lumpur market)	15.10r	-0.12
Tin (New York)	271c	-5
Zinc (US Prime Western)	81c	-¼
Cattle (live weight)†	104.28p	+0.18*
Sheep (dead weight)†	143.05p	+5.47*
Pigs (live weight)†	78.08p	-3.16*
London daily sugar (raw)	$268.2q	+1.0
London daily sugar (white)	$324q	
Tate and Lyle export price	£262.5	
Barley (English feed)	£113	
Maize (US No. 3 yellow)	£148.5w	
Wheat (US Dark Northern)	£82.2q	
Rubber (Oct)♥	53.25p	-0.25
Rubber (Nov)♥	53.50p	-0.25
Rubber (KL RSS No 1 Oct)	244.5m	
Coconut oil (Philippines)§	$307.5v	-2.5
Palm Oil (Malaysian)§	$275w	
Copra (Philippines)§	$212.5y	-2.5
Soyabeans (US)	£147	-1
Cotton "A" index	81.40c	
Wooltops (64s Super)	435p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	**Close**	**Previous**	**High/Low**	
Oct	240.40	237.60	243.80	238.60
Dec	242.00	241.40	241.00	238.00
Mar	231.80	231.40	234.40	230.00
May	232.00	232.00	232.00	231.40
Aug	234.00	235.00	233.00	
Oct	232.60	235.00	233.00	230.60
Dec	235.00	236.00	230.00	
White	**Close**	**Previous**	**High/Low**	
Oct	315.0	310.1	315.5	309.5
Dec	307.5	305.0	307.5	303.5
Mar	307.0	304.1	307.0	303.0
May	308.5		305.7	305.5

Turnover: Raw2355 (817)lots of 50 tonnes. White 2300 (1615)
Paris- White (FFr per tonne): Oct 1660, Dec 1631 Mar 1644, May 1650, Aug 1690

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Oct	29.20	28.55	29.20	27.80
Nov	27.00	27.55	28.00	26.85
Dec	27.00	26.75	27.15	26.25
Jan	26.33		26.40	26.02
IPE index	27.99	26.70		

Turnover: 17458 (10167)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Sep	260.50	260.00	264.50	255.75
Oct	260.50	260.25	264.50	255.00
Nov	261.75	259.50	264.75	255.50
Dec	262.00	259.50	264.25	255.50
Jan	256.00	249.50	258.25	253.00
Feb	245.00	230.00	250.00	243.00
Mar	234.00	227.00	234.00	
Apr	224.00		229.50	220.00

Turnover 18619 (8310)lots of 100 tonnes

JUTE
C and f Dundee BTC $525, BWC $530, BTD $485, BWD $500; c and f Antwerp BTC $505, BWC $505, BTD $460, BWD $480.

COTTON
Liverpool-Spot and shipment sales for the week ended August 31 amounted to 450 tonnes against 266 tonnes in the previous week.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	727	720	730	711
Dec	768	763	775	757
Mar	798	795	806	790
May	818	816	827	817
Jul	838	837	847	836
Sep	858	856	862	857
Dec	882	879	884	881

Turnover: 3732 (3253) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 31 1025.79 (993.76) 10 day average for Sep 3 976.61 (963.74)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	589	585	584	577
Nov	615	610	620	607
Jan	634	632	634	630
Mar	638	638	641	636
May	652	654	654	649
Jul	665	666	667	665
Sep	680	690	683	

Turnover: 4986 (5132) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 31: Comp. daily 78.41 (78.73). 15 day average 75.62 (76.12)

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Nov	86.0	89.0	87.0	86.0
Apr	126.3	128.8	128.7	124.9

Turnover 111 (136) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Oct	107.60	109.00	107.50
Dec	113.50	115.00	113.50

Turnover 10 (90) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Sep	1160	1153	1160	1145
Oct	1176	1170	1195	1168
Jan	1189	1184	1210	1180
Apr	1183	1173	1205	1175
Jul	1135		1135	
BFI	1193	1203		

Turnover 253 (258)

GRAINS – BFE			£/tonne	
Wheat	**Close**	**Previous**	**High/Low**	
Sep	112.25	112.75	112.60	112.35
Nov	115.00	116.00	115.25	115.00
Jan	118.90	118.75	119.00	118.90
Mar	122.15	122.00	122.25	122.15
May	125.50	125.45	125.85	125.50
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.20	109.50		
Nov	113.25	113.40	113.25	
Jan	117.30	117.20		
Mar	120.55	120.50		

Turnover: Wheat 200 (160), Barley 14 (25).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Oct	109.5	109.0	109.0	108.5
Nov	107.5		107.0	

Turnover 41 (30) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 17,265 lots	
Cash	1866-70	1852-4		1852-3		
3 months	1883-4	1870-1	1895/1867	1868-9	1888-90	61,286 lots
Copper, Grade A (£ per tonne)					Total daily turnover 16,864 lots	
Cash	1563-5	1574-6	1570/1556	1555.5-6.5		
3 months	1538-40	1553-4	1545/1535	1535-6	1541-2	104,884 lots
Lead (£ per tonne)					Total daily turnover 2,591 lots	
Cash	460-2	464.5-5.5	458/458	457-8		
3 months	461-2	465-6	465/461	460-0.5	464-5	11,245 lots
Nickel ($ per tonne)					Total daily turnover 1,570 lots	
Cash	11250-300	11350-400	11300/11275	11250-75		
3 months	11050-300	11125-50	11325/10900	11100-25	10925-50	8,667 lots
Tin ($ per tonne)					Total daily turnover 1,281 lots	
Cash	5755-65	5755-65		5760-70		
3 months	5872-3	5870-5	5915/5850	5875-80	5900-10	5,604 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,189 lots	
Cash	1580-5	1615-20	1596/1596	1597-8		
3 months	1514-6	1525-6	1530/1510	1511-2	1520-2	16,916 lots

LME Closing £/$ rate: SPOT: 1.8750 3 months: 1.8442 6 months: 1.8133 9 months: 1.7894

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	382-382½	203¾-204¼
Opening	388¾-389¼	207-207½
Morning fix	386.75	205.499
Afternoon fix	381.40	202.872
Day's high	389¼-389¾	
Day's low	381-381½	

Coins	$ price	£ equivalent
Mapleleaf	391-396	208-211
Britannia	391-396	208-211
US Eagle	391-396	208-211
Angel	391-396	208-211
Krugerrand	381-384	203-205
New Sov.	90-92	48-49
Old Sov.	90-92	48-49
Noble Plat	489.70-497.45	260.60-264.75

Silver fix	p/fine oz	US cts equiv
Spot	256.40	481.65
3 months	265.95	491.40
6 months	275.10	500.65
12 months	293.35	521.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1750	123	159		23
1850	25	94	2	56
1950	1	49	76	110
Copper (Grade A)	**Calls**		**Puts**	
2800	132	138	1	60
2900	36	90	3	130
3050	1	55	67	193
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
550	71		6	
600	36	58	21	25
650	15	34	50	50
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	85		19	
750	54	91	38	43
800	33	66	67	66
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2700	180	220		
2750				
2800	80	165		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	383.7	382.3	382.0	382.0
Oct	386.0	384.6	386.7	382.3
Nov	388.3	386.9	0	0
Dec	390.5	389.2	391.8	386.7
Feb	394.7	393.4	395.2	392.0
Apr	398.8	397.5	399.5	395.0
Jun	403.2	401.9	401.7	401.7
Aug	407.3	406.0	0	0
Oct	411.9	410.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Sep	483.4	480.9	480.5	480.5
Oct	486.4	484.3	487.5	481.0
Jan	492.2	490.1	493.0	490.0
Apr	497.2	495.1	495.0	495.0
Jul	502.4	500.3	0	0
Oct	508.2	506.1	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	471.9	476.0	479.0	475.0
Oct	474.8	479.1	0	0
Nov	478.5	482.8	0	0
Dec	482.5	486.8	490.5	478.5
Jan	484.9	489.2	0	0
Mar	492.9	497.3	500.5	489.0
May	499.7	504.4	505.5	498.0
Jul	507.0	511.8	508.0	505.5
Sep	514.7	519.6	514.5	512.5
Dec	526.1	531.2	527.0	525.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	128.10	130.05	129.00	127.85
Oct	126.90	129.10	128.10	127.40
Nov	125.40	126.50	0	0
Dec	123.75	124.60	124.30	122.80
Jan	121.40	122.40	0	0
Mar	117.10	117.70	117.10	116.30
Apr	115.65	116.20	0	0
May	114.20	114.70	0	0
Jun	112.85	113.00	0	0
Jul	111.40	111.20	110.00	110.00

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Oct	29.12	27.32	29.31	28.35
Nov	28.56	27.06	28.56	28.00
Dec	28.07	26.57	28.07	27.50
Jan	27.47	26.10	27.60	26.95
Feb	26.87	25.62	27.00	26.40
Mar	26.35	25.16	26.40	25.65
Apr	25.88	24.74	25.90	25.50
May	25.49	24.42	25.40	24.92
Jun	25.15	24.14	25.00	24.50
Jul	24.87	23.92	24.55	24.22

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Oct	8239	7856	8460	8100
Nov	8134	7734	8134	8134
Dec	8234	7834	8234	8234
Jan	8184	7784	8184	8184
Feb	7969	7569	7969	7969
Mar	7649	7249	7649	7649
Apr	7409	7009	0	0
May	7234	6834	0	0
Jun	7149	6749	0	0
Jul	7124	6724	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1290	1274	1290	1260
Dec	1332	1319	1343	1290
Mar	1377	1366	1386	1338
May	1409	1397	1388	1383
Jul	1441	1434	1425	1410
Sep	1465	1463	0	0
Dec	1498	1493	1495	1465

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	98.10	99.65	99.00	97.80
Dec	101.20	102.85	102.35	101.10
Mar	104.50	105.75	105.30	104.25
May	106.50	108.00	107.25	106.50
Jul	109.00	110.65	109.00	108.95
Sep	111.40	112.30	110.75	110.75
Dec	115.00	115.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	10.52	10.33	10.71	10.39
Mar	10.40	10.30	10.53	10.29
May	10.42	10.40	10.53	10.35
Jul	10.43	10.37	10.50	10.35
Oct	10.53	10.40	10.50	10.41

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	73.63	73.83	74.25	72.90
Dec	72.84	72.19	72.99	71.45
Mar	73.66	73.30	74.25	72.75
May	74.70	74.00	74.80	73.20
Jul	74.70	74.00	74.90	74.25
Oct	70.63	69.85	70.75	70.70
Dec	68.45	68.40	68.70	68.20

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	156.70	159.25	158.00	153.50
Nov	143.90	147.25	146.50	142.25
Jan	140.50	142.65	142.60	139.10
Mar	140.00	143.00	142.00	140.00
May	139.50	142.40	0	0
Jul	139.50	142.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 4	Sep 3	mnth ago	yr ago
1803.3	1808.4	1774.9	1902.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 1	Aug 31	mnth ago	yr ago
Spot	-	130.12	132.16	-
Futures	-	132.46	132.46	-

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	608/0	601/0	608/4	600/0
Nov	624/2	613/6	625/0	614/0
Jan	637/4	627/2	638/0	627/4
Mar	650/4	640/0	650/4	641/0
May	658/0	647/0	658/0	648/0
Jul	664/0	654/0	664/0	654/0
Aug	654/0	649/0	654/0	650/0
Sep	637/0	634/4	637/0	633/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	24.27	24.17	24.27	23.97
Oct	24.13	24.01	24.14	23.86
Dec	24.29	24.06	24.30	23.95
Jan	24.41	24.19	24.42	24.12
Mar	24.52	24.38	24.59	24.30
May	24.70	24.55	24.70	24.42
Jul	24.70	24.60	24.70	24.55
Aug	24.37	24.30	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	175.7	173.8	176.2	173.5
Oct	177.9	175.7	178.4	176.3
Dec	182.2	179.6	182.7	179.1
Jan	183.6	181.1	184.2	181.0
Mar	186.2	184.2	186.2	184.0
May	188.0	186.3	188.5	187.5
Jul	191.0	189.0	191.0	189.0
Aug	189.2	188.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	240/6	243/2	243/0	239/4
Dec	234/2	233/2	234/4	232/0
Mar	243/2	242/0	243/4	241/0
May	250/4	249/2	250/4	248/0
Jul	254/6	253/4	254/6	252/4
Sep	254/0	253/0	254/2	252/6
Dec	254/4	254/0	254/6	252/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	258/2	262/4	261/4	255/2
Dec	274/2	277/4	277/4	272/2
Mar	286/2	288/2	288/4	284/0
May	293/6	295/4	295/0	291/0
Jul	298/6	301/4	301/6	298/0
Sep	304/4	307/0	306/4	304/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	77.02	76.32	77.15	76.00
Dec	75.62	74.82	75.80	74.55
Feb	74.67	74.10	74.90	73.96
Apr	75.37	74.92	75.62	74.75
Jun	73.25	73.00	73.55	72.85
Aug	71.55	71.15	72.00	71.50
Oct	71.55	71.25	71.55	0

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	48.92	48.30	49.05	48.30
Dec	50.10	49.52	50.25	49.55
Feb	47.77	47.52	47.95	47.35
Apr	44.55	44.35	44.60	44.15
Jun	48.80	48.70	48.85	48.50
Jul	48.90	48.85	49.10	48.90
Aug	47.70	47.65	47.85	47.60
Oct	43.50	43.45	43.50	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	50.20	49.87	51.22	49.75
Mar	50.22	49.75	50.90	49.70
May	50.85	51.15	51.86	50.85
Jul	52.10	51.80	52.10	0

LONDON STOCK EXCHANGE

Concern on level of company profits

ANOTHER thinly-traded session on the UK stockmarket saw share prices turning lower again against a background of falls in other world markets and growing nervousness ahead of the corporate reporting season for UK companies. Equities opened lower in reaction to the setback in Tokyo overnight and an attempted technical rally at mid-session was reversed when Wall Street returned from the Labor Day break with losses in early trading. London finished the session on an uncertain note in spite of a final rally in prices which was not reflected in any improvement in trading volume.

Account Dealing Dates		
*First Dealings:		
Aug 20	Sep 10	Sep 24
Option Declarations:		
Sep 6	Sep 20	Oct 4
Last Dealings:		
Sep 7	Sep 21	Oct 5
Account Day:		
Sep 17	Oct 1	Oct 15

*New-time dealings may take place from 8.30 am two business days earlier.

Although the continued uncertainty over the crisis in the Gulf and the falls in Tokyo and New York stockmarkets provided the chief discouragement for London, domestic concerns also returned to the centre of the UK equity market stage.

The chairman of Bowater, the packaging and printing group, confirmed market worries over the corporate outlook by balancing satisfactory profit figures with cautious comments on the immediate outlook. The implications were not lost on shares of the list of leading companies with trading reports due this week and next. The theme was taken up by disturbing corporate developments among second stream companies, where Caird, the environmental group, upset some domestic fund managers with profits which were substantially below their expectations.

The day's first reading on the FT-SE Index, showing a fall of just over six points, proved to be the best reading for the day. The market soon extended its losses, although traders discounted suggestions of a trading programme; a cluster of fairly small deals suggested that a marketmaker was "having a clear out" to quote one dealer. Equity trading volumes were boosted by a placing of 21m shares in Hardy Oil & Gas, worth about £42m in market terms.

After shedding 20 Footsie points, the market tried to rally with the help of some futures-related support, but optimism was soon checked by Wall Street's negative trend in early dealings. London steadied in later dealings to show a final loss on the day of 18.6 points to FT-SE 2,148.0.

Trading volume of 290.2m shares through the Seaq system, while an improvement on Monday's 221.2m, remained far short of satisfactory, from the market traders' point of view.

"Absolutely grim; no real business," was the summary by a trader at a leading merchant bank of opinions freely expressed around the City dealing rooms. However, the absence of selling pressure in no way masked the apprehension with which traders and analysts are awaiting the flow of interim trading reports from the UK corporate sector.

Sharp reversal in Caird

Caird, the waste management group, lost 44 per cent of its market value and adversely influenced all "green stocks" yesterday by announcing twelve-month profits of only £5.4m. The figure shocked the market which had been primed to expect a pre-tax total ranging from County NatWest's estimate of £9m, the lowest ventured, to £10.5m. The year forms part of the eighteen-month period ending December 1990.

No explanation was given to analysts for the profits shortfall but the group waxed positive over future prospects, which it viewed "with great confidence." Followers of the stock, which include several leading fund managers, were disturbed by the results. One said that what appeared to be absent in the six months to June (the first-half was very satisfactory) was not going to appear later, and he suspected that there might be a more deep-seated problem."

Researchers were just as confused, especially after the post-results meeting with the company. The share price mirrored shareholders' uncertainty, closing at the session's lowest of 84p, down 68.

Losses among other environmental issues ranged to 38 in Shanks & McCewan, at 1405p, and 16 in Attwoods, at 419p. Rechem Environmental Services fell 12 to 523p.

R and C worries

Reckitt and Colman was one of the companies reporting figures in the next few days to fall more steeply than the rest of the market. Cautious pre-results notes from analysts at BZW and especially UBS Phillips & Drew (UBS) were blamed for weakness in Reckitt, which reveals its interims tomorrow.

UBS said the results would be in line with expectations but that the accompanying statement from the company would take a cautious stance.

It said securities houses would downgrade profits forecasts as a result, saying that up to 100p could be knocked off the shares as a result. It recommended selling the stock.

BZW reiterated its long term optimism for Reckitt but said that in the short term the shares looked fully valued. The securities firm changed its recommendation from buy to hold.

Reckitt fell 56 at one point before closing a net 43 off at 1138p. Turnover was quite high for the stock at 885,000.

Bowater cautious

A 19 per cent rise in interim profits to £48.4m from Bowater, the packaging, printing, coating and laminates company, was not enough to compensate for a cautious statement from the chairman and the sale of a line of stock into the market.

Analysts trimmed their forecasts with, for example, Mr Mike Murphy at S G Warburg saying the company would make £123m for the full year instead of his previous estimate of £126½m. He said that Bowater was doing less well in Australia than he had anticipated but that some of the £5m shortfall there was being offset by good management of currency and debt. He was cautious in the short term but said investors should buy on weakness.

Bowater fell 15 to 488p. Traders said there was a single seller of 200,000 shares contributing to a turnover of more than 750,000, above average for the stock.

Hardy Oil placing

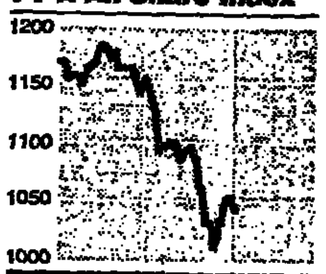
Hardy Oil & Gas slipped 4 to 208p, having initially edged ahead to 213p after 21.29m shares were placed in the market at 198p. The placing was said to have been carried out by Cazenove, the company's stockbroker, although this was not confirmed.

Hardy said it had agreed to an early conversion of its £30m of 4 per cent convertible unsecured loan stock held by Trafalgar House into the 21.29m shares which were placed yesterday. Hardy, formerly the oil and gas arm of Trafalgar House, was floated in May 1989.

RTZ fell 14 to 459p in the wake of disappointing results from its 49 per cent-owned Australian associate CRA. Brokers cut their profit forecasts for RTZ on the CRA news.

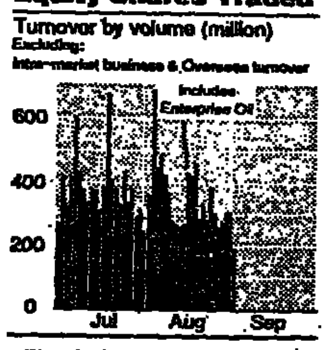
Oil and gas was one of the few sectors to resist the broad decline in share prices. An easier trend in crude oil prices was largely overlooked as institutions took more heed of another buy recommendation on the sector issued by Hoare Govett. Hoare's oil team, bulls of the sector since Iraq began its moves against Kuwait, told clients that the sector "has become the ultimate trading counter following the August 1990 Gulf crisis," and that "volatility is likely to persist over the next two years."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Inter-market business & Overseas turnover



Hoare expects oil prices to swing wildly between $20 and $40 a barrel with violent movements in the oil majors and the exploration and production companies. Advising investors to "move rapidly to an overweight position," Hoare's principal recommendations are BP – "likely to remain the fastest mover, with Shell and British Gas representing the safest options in a highly volatile environment."

BP settled a shade off at 369p on 5.3m shares, while Shell managed a minor gain at 487p on 3m shares. Lasmo, still boosted by exploration hopes, moved up 2 to 502p, helped by a presentation to institutions in Scotland on Monday evening. Ultramar rose 4 to 360p in good volume of 2m. Burmah were aggressively sold and closed 22 lower at 511p, weakened by Nomura and County NatWest sell notes.

Shares in Sedgwick, the insurance broker, were mauled after the group issued a second-half profits warning along with a near static interim profits performance. The company said the weakness of the dollar "must have an effect on the company's performance for the remainder of the year." Brokers moved quickly to downgrade their profits and dividend forecasts' County NatWest lowered their full year estimate from £105m to £95m and reduced their dividend expectation from 13p to 12p. Sedgwick shares closed 17 down at 181p.

Sun Alliance, scheduled to announce interims this morning – Hoare Govett is going for a loss of £80m compared with a profits of £191.4m in the same period last year – dropped 10 to 289p.

Polly Peck staged a sharp recovery from a decline of 23 to end 6 higher on the day at 291p, responding to what analysts considered better-than-expected results on Monday. The market had continued to worry about what might happen in the wake of Stock Exchange criticism of the short-lived plan to take the company private. Yesterday, BZW, the company's joint broker, upgraded its profit forecast. It said the company would make £247½m in the current year, £2½m higher than the previous estimate.

The prospect of interims today from Hillsdown was enough to leave the shares 9 lower at 248p on good volume of 2.2m.

The message from IMI was that with many economies turning down, even before the Middle East crisis, some caution for the second half is both prudent and necessary; inevitably, this exerted pressure on the shares. They retreated steadily after the announcement to close 8 down at 209p, although interim profits of £63.5m, compared with £60.1m last year, were in line with expectations. TI Group shares reacted to end 11 down at 438p.

There was no shortage of activity in the electronics/telecoms areas of the market. British Telecom (BT)eased 2½ to 282p on turnover of 6m, unsettled by a negative note from Flemings Research. The note, written by Flemings' Laurence Heyworth and entitled "The Bear Case" said the market took "too sanguine" a view about BT. "In our view, while the outlook for profits in the current and next two years is probably better than generally appreciated, the outlook beyond that is very significantly worse."

Flemings said the Duopoly Review "will change current market perception to coincide with our view." The securities house expects tighter regulation followed by increased competition to reduce BT's earnings per share and dividend growth rate after the expiry of the current price formula in July 1993. "It is quite likely BT's profits will fall in 1993/4 and 1994/95," said Mr Heyworth.

Thorn EMI dropped to 605p, before steadying and closing a net 11 off at 612p as analysts lowered their profits expectations in view of the failure of the group to sell its lighting businesses. Kleinwort Benson Securities cut £5m off its current year forecast to £330m and £10m off that for next year, down to £363m. BZW, which now expects interim profits to come in at £95m, is going for £320m for the full year. Hoare reduced their number for this year to £325m having visited Thorn.

STC shares maintained their recent strong showing, closing 4 higher at 251p, after touching 256p earlier in the session. Dealers said the shares were still being driven higher by talk that Northern Telecom may sell on its 27 per cent stake to a single buyer or that Northern may well launch a full bid for STC, which recently sold a controlling interest in its ICL computer subsidiary to Fujitsu, the Japanese group; "the market seems convinced someone is keen to get their hands on STC's telecoms business," said one specialist.

A profits downgrading by Chris Tucker, electronics/telecoms analyst at Carr Kitcat & Aitken, helped lower Racal Telecom 6 to 290p. The Carr researcher said Telecom's net subscriber growth this year could be down by a quarter on last year. "Cellnet will win a more satisfactory share of new subscribers – we have therefore lowered our profit estimates from £260m to £235m for the current year and from £360m to £290m for next year," said Mr Tucker.

Psion dropped steeply to 57p immediately following the sharp contraction in profits, although this had been predicted by the company some months ago, but later rallied to end the session only a fraction off at 69p.

Porvair responded to news of a near-50 per cent advance in first-half profits and the forecast of a satisfactory result for the full-year by rising 3 to 78p.

The disclosure that Delaney had slipped into the red at the half-way stage lowered the shares 5 to 12p, but those of Isotron rose 8 to 155p on news that interim profits were 22 per cent higher over the first six months.

Properties reacted to negative advice on the sector from UBS Phillips & Drew, which currently rates many quality stocks either a hold or sell. Sector leader Land Securities was included in the latter classification because the broking house said the stock had outperformed the market by 10 per cent over the past three months.

Major losers among the smaller companies were Erostin, down 10 further at 48p, and London & Metropolitan, which gave up 6 more at 28p.

The passing of the dividend, together with a surprise call for fresh funds, bore heavily on shares of G & G Kynoch, which plunged 78 to 55p. The company has agreed to acquire two healthcare subsidiaries of BTR for £3m cash and proposes a five-for-one rights issue at 50p a share raising about £4.4m net. The issue of new shares has been underwritten. Two directors have left the board and a new chief executive has been appointed.

Dawson International remained at 146p after announcing a long term fixed rate funding arrangement with two leading US institutional investors. The proceeds from the issue of $35m of guaranteed senior notes, due 2002 and 2005, will be used to repay a medium term loan and to finance capital expenditure resulting from the growth in US sales.

Aegis was marked higher after the French Government blocked, on monopolies grounds, the buying of advertising media by the company's French subsidiary, Carat, for French clients in France. Explaining the rise of 4 to 219p, Ms Lorna Tilbian of S G Warburg said: "We're pleasantly surprised that they will be allowed to buy for international clients in France."

■ Other Market statistics, including the FT-Actuaries share index, Page 26

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (15).
BRITISH FUNDS (10) INDUSTRIALS (1) Great Southern, TRANSPORT (1) TRUSTS (1) OILS (2).
NEW LOWS (120).
BANKS (4) BREWERS (1) BUILDINGS (2) CHEMICALS (5) STORES (10) ELECTRICALS (12) ENGINEERING (4) FOODS (3) INDUSTRIALS (27) Arley, Barry Wehmiller, British Fittings, Burndene Invs., Christies Intl., Davis (Godfrey), Delaney, Doctus, EFG, Esselte, Hay (Norman), Hughes (HT), ISA Intl., Kitty Little, NMC 7.75pc Accm. Rd. Pf., NMW Computers, Pilkington, Polymark Rd. Pfg. "A", Porth, RKF, Rank Org., Rock, Stat-Plus, Southern Business, Whitegate Leisure, Do. Warrants, Yale & Valor, INSURANCE (3) LEISURE (10) MOTORS (8) NEWSPAPERS (2) PAPERS (8) PROPERTY (16) SHOES (1) TEXTILES (3) TRANSPORT (2) TRUSTS (8) WATER (1) OILS (2) OVERSEAS TRADERS (1) MINES (3).

FINANCIAL TIMES STOCK INDICES

	Sept 4	Sept 3	Aug 31	Aug 30	Aug 29	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.40	78.49	78.33	78.13	78.09	88.26	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.23	86.39	86.39	86.52	86.44	97.18	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1670.9	1687.4	1693.6	1687.9	1658.9	2008.6	1968.3 (3/1)	1604.2 (23/8)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	195.3	199.2	197.3	194.0	188.8	200.8	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2148.0	2166.6	2182.8	2153.6	2125.7	2426.0	2463.7 (3/1)	2075.0 (23/8)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.67	5.61	5.59	5.61	5.71	3.93				
Earning Yld %(full)	12.08	11.95	11.90	11.95	12.16	9.41				
P/E Ratio(Net)(*)	10.05	10.15	10.20	10.16	9.99	12.81				
SEAQ Bargns 4.45pm	18,236	16,327	18,992	18,217	16,307	28,135				
Equity Turnover(£m)†	-	433.55	623.96	982.60	580.84	827.35				
Equity Bargains†	-	15,458	16,426	17,528	16,991	28,270				
Shares Traded (ml)†	-	197.6	304.4	301.3	273.1	353.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. * Nil 9.99

Ordinary Share Index, Hourly changes — Day's High 1679.1 — Day's Low 1663.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1679.1	1671.8	1666.6	1663.6	1672.5	1670.7	1668.6	1664.2	1668.8

FT-SE, Hourly changes — Day's High 2160.4 — Day's Low 2139.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2160.4	2146.7	2145.6	2145.7	2149.2	2147.3	2144.6	2140.2	2145.8

GILT EDGED ACTIVITY

Indices*	Sept 3	Aug 31
Gilt Edged Bargains	73.2	72.3
5 – Day average	71.6	73.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	67	151	-3	Courtaulds	200	309	-1	Manpower	0	64		Smith (W H) A	653	318	-5
ASDA Group	2,800	113		Dalgety	47	355		Marks & Spencer	1,600	231½	-1½	Smith & Nephew	626	98½	-1
Abbey National	2,100	207	-1	Dixons	4,400	135	-1	Maxwell Comms.	1,300	180	-1	SmKl Beecham	1,200	538	+3
Allied-Lyons	1,000	485	+1	ECC Group	135	348	-2	Mecca Leisure	58	71	-1	SmKl Beecham Units	15	2405	+3
Amstrad	150	37	-1	Enterprise Oil	628	688	-7	Midland Bank	332	292	-6	Stadia Inds.	88	204	-4
Anglian Water	595	231	-8	FKI	208	57		NatWest Bank	1,400	295	-3	South West Water	470	208	-8
Argos	1,400	240		Ferranti	1,400	22	-1	Next	8,800	36	+1	Southern Water	630	200	-6
Argyll Group	782	237	-2	Fisons	1,400	334	-3	North West Water	371	219	-3	Standard Chartd.	670	374	
Ass. Brit. Foods	86	412	-2	Gen. Accident	862	453	-11	Northern Foods	253	324	+2	Storehouse	3,300	129	-3
BAA	912	382	-3	General Elect.	1,100	184	-½	Northumbrian Water	7	222		Sun Alliance	1,900	288	-10
BAT Inds.	1,200	524	-4	Glaxo	794	726	-8	Pearson	1,200	685	-15	Sun Life	1	1083	

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99¾	96⅛	Treas. 10pcCv 1990	99¾	+⅛	10.07	14.49
98⅛	93⅛	Exch 2½pc 1990	98⅛	+⅛	2.55	11.05
99⅛	97⅛	Treas. 11¾pc 1991	99⅛	+⅛	11.86	14.18
96½	92¼	Funding 5¾pc '87–91‡‡	96⅛xd	+⅛	5.96	12.16
95	89¼	Treas. 3pc 1991	95	+⅛	3.16	10.85
97¾	94⅜	Treas 10pc Cv '92 ‡‡	97¾	+⅛	10.24	12.99
97⅜	94⅜	Exch. 11pc 1991	97⅜	.....	11.26	13.12
94⅜	90⅞	Treas. 8pc 1991	94⅜	+⅛	8.47	12.79
101⅛	97⅛	Treas 12¾pc 1992‡‡	100¼	+⅛	12.73	12.56
96⅜	92¼	Treas 10pc 1992	96⅜	+⅛	10.37	12.66
93⅜	89¼	Treas. 8pc 1992‡‡	93⅜	+⅛	8.56	12.59
97¾	93⅛	Treas 10½pc Cv 1992‡‡	96⅜	.....	10.84	12.54
88¼	82⅜	Treas. 3pc 1992	88¼	+⅛	3.38	10.19
100⅜	95⅜	Exch. 12¼pc '92	99⅜	–⅛	12.32	12.50
104	98¼	Exch 13½pc 1992	101⅜xd	–⅛	13.26	12.40
92	86¼	Treas 8¼pc 1993	91⅞	–⅛	8.99	12.05
96⅞	90¼	Treas 10pc 1993‡‡	95⅜	–⅛	10.49	12.05
103⅛	96⅞	Treas 12½pc 1993‡‡	101⅛	–⅛	12.37	11.98
86⅛	82	Funding 6pc 1993‡‡	86⅛xd	+⅛	6.93	11.39
107⅜	99¼	Treas 13¾pc 1993‡‡	104⅛	–⅛	13.19	11.95
91	84⅛	Treas. 8½pc 1994	90	–⅛	9.44	12.05
111⅛	102⅜	Treas 14½pc 1994‡‡	107⅜	–⅛	13.53	11.86
107⅛	99¼	Exch 13½pc 1994	104⅛	–⅛	12.97	12.01
96⅜	88⅜	Treas. 10pc Ln. 1994‡‡	94⅛	–⅛	10.60	11.81
104½	96⅞	Exch. 12¼pc 1994	101⅜	–⅛	12.33	11.96
92¼	85	Treas 9pc 1994‡‡	90⅞	–⅛	9.95	11.84
103⅛	94⅜	Treas 12pc 1995	99⅜	–⅛	12.01	11.88
81	73	Exch 3pc Gas 90–95	79	.....	3.80	8.61
96⅜	88⅛	Exch. 10¼pc 1995	93⅛	–⅛	10.93	11.85

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	(1)	(2)
119⅛	110¾	Tr. 2pc '92‡‡(97.8)	119¼xd	+⅛	3.81	5.51
110⅛	103¼	Do. 2 '94(102.9)	110⅛	+⅛	3.64	4.34
160⅝	150¼	Do. 2pc '96(67.9)	160⅛xd	+⅛	3.79	4.23
131⅛	123½	Do 2½pc '01(78.3)	130⅛xd	+⅛	4.20	4.48
128⅛	119⅝	Do. 2½pc '03(78.8)	127⅛	+⅛	4.23	4.47
131⅛	122	Do. 2pc '06(69.5)	128⅛	+⅛	4.23	4.43
123⅛	113⅛	Do. 2½pc '09(78.8)	119⅛	+⅛	4.21	4.39
128⅛	117¼	Do. 2½pc '11(74.6)	129⅛	+⅛	4.19	4.36
107⅛	97⅛	Do. 2½pc '13(89.2)	102⅛	+⅛	4.14	4.30
115⅛	105⅛	Do. 2½pc '16(81.6)	110⅛	+⅛	4.08	4.23
113⅛	102⅛	Do. 2½pc '20(83.0)	107⅛	+⅛	4.02	4.16
95⅛	86⅛	Do. 2½pc '24 ‡‡(97.7)	89⅝	+⅛	3.96	4.08

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1989: 118.8 and for July 1990: 126.8.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅝	84⅛	African Dv Bk 11¼Ln 2010	90⅞	–⅛	12.30	12.38
98⅛	80⅛	Asian Dev Bk 10⅛pcLn 2009	86⅛	–⅛	11.88	12.09
110⅛	80⅛	Int-Am Dev Bk 12½pc 2003	99⅜	+⅛	12.52	12.52
91⅛	76⅛	Do. 9¼pcLn 2015	81⅛	.....	11.98	12.13
109	79⅛	Mlysia 10¼pcLn 2009	81½	.....	13.19	12.47
110	55	Utd. Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	8½	Chase Manhattan $12½	9¼xd	+⅛	$2.48	–	14.3
19¾	10⅝	Chem. Banking Corpn.	11½	.....	$2.72	–	12.6
12½	6	Chrysler $6¼	7xd	+⅛	$1.20	–	9.2
18⅛	8⅝	Citicorp $1	9⅝xd	+⅛	$1.78	–	9.9
40⅛	30⅛	Colgate-Palmolive $1	34¼xd	–⅛	$1.80	–	2.8
12⅛	454p	Cont'l Bank Corp $4	582p	.....	$1.00	–	9.2
268p	128p	♦Corporate Data Scien.	215p				–
22⅛	14⅛	Dana Corp. $1	15⅛xd	–⅛	$1.60	–	5.5
768p	274p	Data General	327p				–
29½	20⅝	Dun & Bradstreet $1	22⅝	.....	$2.12	–	4.9
37⅛	25⅛	Eaton Corpn. 50c	27⅛	.....	$2.20	–	4.3
10⅛	5⅛	Echlin Inc.	5⅛	.....	70c	–	6.3
22⅛	14⅛	FPL Group Ic.	14⅛xd	–⅛	$2.36	–	8.7
29⅛	16⅛	Fluor Corp 62½pc	19⅛	–⅛	24c	–	0.7
30⅛	16⅛	Ford Motor $1	18⅛	+⅛	$3.00	–	8.8
41⅛	30⅛	Gen. Elect. 63c	32⅝	+⅛	$1.88	–	3.1
441p	256p	♦General Hosp. Corp $1	264p	–1	32c	–	6.4
35⅛	25⅛	Gillette $1	30⅛	–⅛	$1.08	–	1.9
315p	51p	Gt American Bank Bk $1	66½p	–½	20c	–	16.1
20⅛	13⅛	Greyhound Dial $1½	14⅛xd	–⅛	$1.32	–	5.0
12⅝	712p	Hasbro Inc 50c	772p	–2	20c	–	1.4
60⅛	46⅛	Honeywell $1½	50⅛xd	–⅛	$2.75	–	2.9
21⅛	16	Houston Inds. ‡	16⅛	.....	$2.96	–	9.4
74	49⅛	IBM Corpn $1¼	53⅛xd	+⅛	$4.84	–	4.8
50p	18p	♦Image Storage/R.Sys. Ic.	18p	.....			–
35½	21	Ingersoll–Rand $2	22⅛xd	–⅛	$1.32	–	3.1
25½	13¾	Lockheed Crpn. $1	13¼xd	.....	$1.80	–	7.0
11⅛	7⅛	Lone Star Inds $1	7⅛xd	.....	$1.90	–	13.6
28	23⅛	Louisiana Land 15c	25xd	–⅛	$1.00	–	2.1
29	10⅝	Lowe's 50c	12⅛	.....	52c	–	2.2
22⅛	12⅛	Manuf Hanover $1	13⅛	–⅛	$3.28	–	13.2
16⅛	9⅛	Merrill Lynch $1	10⅝	–⅛	$1.00	–	4.9
14⅛	8⅛	Molex Inc.	10⅛	–⅛	4c	–	0.2
27⅛	16⅛	Morgan (JP) $2½	17⅛xd	+⅛	$1.82	–	5.7
30½	21⅛	Morris (Philip)	23⅛xd	+⅛	$1.38	–	3.1
56⅛	34⅛	NYNEX $1	37⅛	.....	$4.56	–	6.5
19p	5p	N'wide Legal Serv. ‡	5p	.....			–
21⅛	12⅛	PHH Corp. ‡	13	.....	$1.20	–	4.9
195p	148p	♦Pacific Agr ‡	148p	.....			–
31⅛	19	Pacific Telesis 10c	20⅛	.....	$2.02	–	5.2
22⅛	13⅛	Pall Corp. 25c	15⅛	.....	56c	–	2.0
55⅛	39⅛	Pennzoil $3 1/3c	43⅛xd	+⅛	$3.00	–	3.7
35⅛	21⅛	Quaker Oats $5	22⅛xd	–⅛	$1.40	–	3.3

CANADIANS

Continued on next page

APPOINTMENTS

Changes at Bowater Group

■ BOWATER is making changes in the responsibilities of its senior management which will result in the company's operations being managed on a geographic basis rather than one which is partly product based.

Mr Stuart Wallis will be responsible for all operations in the UK and Continental Europe.

Mr Eric Priestley, as president and chief executive officer of Rexham Industries Inc., will be responsible for all operations in North and South America and will based in the US. Mr Scott Lea will continue as chairman of the board of Rexham Industries Inc. until his retirement at the end of 1991.

Mr Leo Tutt retains his responsibilities for Australia, New Zealand and the Far East.

Mrs Wendy Ellison will join the company on October 2 as deputy to Mr James Pease-Watkin, director of corporate personnel, and will succeed him on his retirement a year later.

■ Mr Adrian Wistreich has been appointed chief executive of CHART INFORMATION NETWORK COMPANY. He joins from Euromonitor where he held the post of marketing director.

■ Mr Peter Malone, previously group financial controller of the EUROPA HOTELS & LEISURE GROUP, has been appointed managing director. Prior to joining the group 18 months ago Mr Malone was director of finance for Holiday Inns Inc with responsibility for the UK, Middle East, Africa, Malta and Turkey.

■ Mr Jeremy Clegg (pictured) has joined the board of HENDERSON PENSION FUND MANAGEMENT. Formerly a director of Baring Investment Management, Mr Clegg will be responsible for marketing Henderson's pension fund services to consultants and clients.

■ The BODDINGTON GROUP has appointed Mr Ted Englefield as its group company secretary. He is currently director of business development at the Boddington Group and will retain these responsibilities in addition to his new role as group company secretary.

■ Following the acquisition of Bersisford Factors (now Bibby Factors) Mr John Connell has been appointed managing director of BIBBY FACTORS. He is managing director of Bibby Financial Services.

■ TEAM - Technical Engineering and Maintenance - has appointed Mr Dave Badger its commercial director designate. He was formerly financial director with a subsidiary of Evans Halshaw.

Mr Dave Pearson has been promoted from sales manager to sales director at SUS Computers, another member of the SUS Holdings Group.

■ At SWISS VOLKSBANK Mr Alfred Huber, senior vice president, is to take over as London branch manager on October 1. His predecessor, Mr Paul Dubler, will return to head office in Berne to take over a senior function within the bank's international division.

■ SHARPS BEDROOMS has appointed Mr Andrew Stanway as its marketing director. He was previously marketing manager for bedroom and dining cabinet furniture and beds at Lowndes Queensway.

■ Mr David Brooke is to join J O HAMBRO & CO on October 1 to head its development capital operations. He will be on the board of J O Hambro & Co, the holding company for the group's interests in investment management and specialist corporate finance through J O Hambro Magan. Mr Brooke has recently returned from the New York where he spent three years as chairman of SG Warburg USA.

■ Mr David Makin has been promoted to UK sales director at DAVID BROWN RADICON.

■ Mr Amir Eilon (pictured), formerly managing director and head of international equity capital markets group in London at Morgan Stanley, is to join BARCLAYS de ZOETE WEDD, part of the Barclays Group, on September 10 as a managing director in the corporate finance division and head of its corporate financing unit.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	189	ANZ SA1	193	–1	44c	1.4	9.8	7.2
229	172	Abbey National 10p	207	–1	5.7	4.3	3.7	8.4
*274	144	Allied Irish Ord	159	–4	Q40%	3.3	5.6	7.2
£13½	£9½	Algemene Fl.10	£10½	–¼	Q28%	2.1	8.0	5.9
85	55	Anglo Irish	58	......	Q18.7%	2.7	7.2	8.3
93	68	Ansbacher (H.) 1p	72	–1	2.5	1.3	4.6	20.7
£71¼	£41⅝	Bancaire Cie Fr100	£42⅛	......	Q12¼%	–	3.0	–
£22⅛	£15¼	Banco Bilbao Viz	£16¼	+½	Q49.1%	2.7	4.8	11.4
286	159	Bank Ireland Ir£1	164	–6	Q14.7%	2.9	8.0	5.8
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	350	......	†15.0	–	5.7	–
125	104	Bank Scotland	106½	+½	4.56	3.3	5.7	7.1
100¾	83¼	Do. 9¼pc Irrd Pf	95½	+½	9¼%	–	12.9	–
54	39	Bank of Wales	44	......	2.8	0.8	8.5	(21.1)
428	332	Barclays £1	354	–2	†19.57	3.5	7.4	4.9
22	12	Benchmark 20p	13	......	1.63	1.0	16.7	7.5
335	283	Brown Shipley £1	285	......	12.0	2.2	5.6	9.2
*435	335	Cater Allen £1	337	......	N24.5	–	9.7	–
179	77	Chancery	77	–2	9.0	2.7	15.6	3.1
£23¼	£16¼	Commerzbk DM10	£17¼	......	Q18%	–	3.5	–
£13¼	675	Dai Ichi KBk Y50	715	......	Q17%	♦	0.4	♦
£313	£216	Deutsche Bk DM50	£228¼	–4	Q28%	–	2.1	–
£20¾	£15¾	Espirito Santo	£16¼	......	Q75c	5.1	2.5	7.9
253	174	First Nat. Fin. 10p	183	......	13.0	2.1	9.5	6.3
121	88	FNFC 6.3pc Cv. Pf	91	+3	6.3%	–	9.2	–
£13¼	800	Fuji Bank Y50	842	–12	Q17%	♦	0.4	♦
325	262	Gerrard & National	273	......	19.0	–	9.3	–
154	113	Guinness Mahon 10p	114	–1	2.1	–	2.5	–
328	194	Hambros 20p	215	–3	11.5	–	7.1	–
128	91	Do. 7.5pc Cv Pf	96	+1	7½%	–	10.4	–
53½	34½	HK & Shang. HK$2.50	36	–½	†hQ38c	–	7.2	–
478	413	Joseph (Leo) £1	413	......	15.85	–	5.1	–
150	121	King & Shaxson 20p	123	......	10.25	–	11.1	–
422	320	Kleinwort Benson Grp	323xd	......	16.0	2.5	6.6	7.6
642	339	Kyowa Bank Y50	367	–2	Q14%	♦	0.8	♦
316	242	Lloyds £1	278	+1	†13.3	2.6	6.6	6.3
56	44	Lon. Scot. Bank 10p	49	......	†2.4	1.9	6.5	9.7
404	230	Midland £1	252	–6	†18.0	2.6	9.5	5.2
£14½	£10⅜	Mitsubishi Bank Y50	£10⅜	......	Q17%	♦	0.3	♦
£12¼	£4⅞	Mitsubishi Tst & Bk Y50	£5½	–⅛	Q17%	♦	0.6	♦
£10⅝	£5¼	Mitsui Taiyo Kobe Y50	£5⅝	......	†Q16%	6.0	0.5	34.8
904	447	Mitsui Tst & Bk Y50	463	–7	Q17%	♦	0.7	♦
326	272	Nat Aust. Bk. A$1	282	–2	sQ50c	1.6	7.6	8.2
368	271	Nat West £1	285	–3	†16.7	3.3	7.8	5.2
£210	£165	Ottoman Bank	£170	......	Q110%	2.8	6.5	5.5
55	38	Rea Bros. Group	38	......	0.5	3.2	1.8	18.9
227	143	Royal Bk. Scotland	147	–3	†7.2	3.8	6.5	5.2
795	368	Saitama Bank Y50	399	–2	Q14%	♦	0.7	♦
£12¼	612	Sanwa Bank Y50	652	–11	Q17%	♦	0.5	♦
902½	702	Schroders £1	708	–5	h12.5	5.9	2.4	9.6
712½	503	Do. £1 N/V	508	–5	h12.5	5.9	3.3	6.9
£25¼	£13½	Sec. Pacific $10	£14⅛	–⅛	Q$2.52	–	9.3	–
616	352	Standard Chartd. £1	374xd	......	35.0	1.4	12.5	(7.0)
£16½	£6⅞	Sumitomo Bank Y50	£7⅛	–⅛	†hQ16%	7.5	0.4	31.8
£11	£4⅞	Sumitomo Tst & Bk Y50	£5⅜	–⅛	Q17%	♦	0.6	♦
147	120	TSB	129	–1	†5.8	2.5	6.0	8.4
175	126	TSB Bank Ch'nel Is'l	132	......	†Q6.7	3.5	5.1	6.6
£11¼	£5½	Tokai Bank Y50	£5⅞	–⅛	Q16%	4.1	0.7	45.1
920	531	Toyo Tst. & Bk Y50	576	+2	†Q15.2%	6.9	0.5	27.7
611	530	Union Discount £1	543	......	33.0	–	8.1	–
525	346	Warburg (S.G.)	366	–1	15.0	3.8	5.5	6.4
180	122	Do 6pc Cnv Prf	125	+1	6%	–	6.4	–
279	193	Westpac $A1	201	......	Q52.5c	1.5	11.7	5.6
420	348	Wintrust 20p	348	–7	†7.8	4.2	3.0	9.6
969	574	Yasuda Tst & Bk. Y50	611	–3	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	48	CLF Yeoman 50p	50	......	Q18.5%	3.2	18.9	2.2
71	53	Cambridge Grp Ir5p	53	......	Q7½%	15.6	0.6	12.9
55	22	Capital Leasing Ir 10p	23	+1	†hQ12%	3.5	4.6	5.7
68	50	Cattle's (Hdgs) 10p	62	......	†3.58	1.9	7.9	8.7
426	362	Prov. Financial	364	–2	†20.5	2.1	7.7	8.2
*232	160	♦Reflex Invs. Ir5p	160	......	gQ51%	7.9	1.4	11.8
225	199	Secure Trust Grp. 1p	218	......	8.5	2.4	5.2	10.8
210	135	Woodchester I£20p	143	+3	Q16.7%	5.9	2.1	10.7

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]									

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

Miscellaneous

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's
190	103	Anglesey Mining 9p.	♥	103	–2	–	–	–
110	28	Do Warrants	♥	28	.....			
[illegible]								

THIRD MARKET

1990 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]									
72	25	Oxford Virology 5p	♥	26	.....	–	–	–	–
83	61	Poddington 5p		77	.....	L4.5	1.1	6.8	17.4
118	65	Ramsden's (Harry)	♥	88	.....	tal.85	2.8	‡	6.3
60	30	Rentamaster 5p	♥	32	.....	–	–	–	3.3
38	11	Sempernova	♥	15	.....	–	–	–	–
36	23	Sleepy Kids 5p.	♥	23	.....	–	–	–	–
2¼	1	Swanyard Studios 1p	♥	1¼	.....	–	–	–	–
3½	1¼	Systems Connections	♥	2¼	.....	–	–	–	–
93	58	Tomorrows Leisure 20p	♥	63	.....	1.0	♦	2.2	♦
55	27	UPL Group 10p	♥	29	.....	–	–	–	–
185	128	Unit Group	♥	183	.....	5.0	1.8	3.6	20.7
89	28	Video Magic Leis. 1p	♥	38	.....	W2.0	0.7	8.9	24.1
6¼	3	Vista Ents 5p.	♥	3	.....	–	–	–	–
18	10	Vizcaya Hldgs 5p.	♥	10	.....	–	–	–	–
5½	2¼	Wilton Group 1p	♥	2½	.....	–	–	–	8.4

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Craig & Rose £1	♥	880	.....
Finlay Pkg. 5p	♥	51	.....
Holt (Jos) 25p	♥	1305	.....

Stock		Price	+ or –
Carrol (P.J.)	♥	105	.....
Hall (R. & H.)		165	.....
Helton Hldgs	♥	53xd	.....
IRG		195	.....
United Drug		143	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	598	.....
9pc Cap Ln. 1996	£91½	–½
Fin. 13% 97/02	£109	–¼
Arnotts	188	–30

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit. Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons.	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	28
Gen Accident	46½
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen.	34
Lex Service	28
Lloyds Bank	25
Lucas Inds.	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk.	30
P & O Dfd	52
Polly Peck	39
Racal Elect.	19
RHM	38
Rank Org Ord	70
Reed Intnl.	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs.	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm	5
Brit Petroleum	28
Burmah Castrol	55
Conroy Petlm	18
Gaelic Res	3½
Premier	9
Shell	48
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	41.90	41.90xd	44.81	-0.54	6.11
Gilts & Fixed Int	6	103.1	103.1xd	109.4	+0.1	10.85
High Inc Equity	6	122.2	122.2	130.6	-0.6	4.86
Worldwide Bond	6	184.5	184.5xd	195.5	-1.0	6.60
Capital Growth						
American Growth	6	154.2	154.2	164.9	-1.4	1.16
Asian Pacific	6	112.4	114.4	121.6	-2.7	0.10
Assets & Earnings	6	144.8	144.8	154.8	-0.6	3.03
Capital Reserve Acc	0	95.37	95.37	95.42	+0.14	7.48
Capital Reserve Inc	0	80.16	80.16	80.20	+0.12	7.48
Comdty & Energy	6	88.12	88.12xd	94.24	-0.16	1.08
1992 Enterprise	6	55.68	55.68	59.55	-0.30	3.27
Euro Capital Acc	6	88.00	88.00	94.11	-1.95	1.05
Euro Capital Inc	6	84.50	84.50	90.37	-1.84	1.05
General	6	157.6	157.6xd	168.5	-1.2	2.97
Japan	6	86.11	86.11	92.09	-2.81	0.00
Mastertrust	6	79.09	79.09	84.58	-1.18	2.00
UK Growth Acc	6	153.3	153.3	163.9	-0.9	2.49
UK Growth Dist	6	100.1	100.1	107.0	-0.7	2.49
US Emerging Cos	6	44.69	44.69	47.79	-0.49	0.00
Income & Growth	6	267.5	267.5	286.0	-2.9	3.58
Ethical	6	43.12	43.12	46.11	-0.21	2.17
International	6	53.49	53.49	57.20	-0.94	0.87
Dividend & Growth	6	41.89	42.83	45.56	-0.42	4.94
Global Gwth & Sec	6	46.05	46.21	49.15	-0.03	2.03

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	26.81	26.81	28.52	-0.18	2.73
European	5¼	76.34	76.34	81.16	-0.83	0.00
European Income	5¼	75.41	75.41xd	80.05	-1.15	1.55
Exempt	1	674.9	674.9	697.2	-7.00	3.33

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966
Health Fund 5½ 47.02 47.02 51.29 ..... 1.32

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours, ♠ - 1401 to 1700 hours, ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 0296 312156						
American Eagle	5	64.60	64.60	69.04	-0.34	1.72
Australia	5	6.457	6.457	6.907	[illegible]	3.86
Equity	5	143.2	145.2	153.7	-1.5	5.01
Euro Spec Sits	5	105.7	105.7	114.1	-1.9	0.62
Financial	5	26.86	27.03	29.07	-0.15	2.98
Global Opps Inc	5	60.50	60.50	65.09	-0.86	0.00
Global Opps Acc	5	60.95	60.95	65.57	-0.87	0.00
Gold & Gen Inc	5	42.93	42.93	46.09	-0.22	3.87
Gold & Gen Acc	5	80.02	80.02	85.90	-0.42	3.87
Income	5	88.90	88.90xd	95.70	-0.99	6.48
Japan & General	5	109.5	109.5xd	117.9	-2.5	0.00
Preference Share	5	17.65	17.65xd	18.90	-0.05	13.70
UK Capital	5	78.91	78.91xd	84.73	-0.79	3.98
World Income	5	56.70	56.70	60.86	-0.75	5.92
Worldwide Capital	5	151.6	151.6	163.0	-1.7	2.70
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	104.61	105.51	112.84	-0.65	3.24
Global Growth Inc	6	100.51	101.37	108.42	-0.64	3.24
Global Balanced Acc	6	100.52	101.10	108.12	-0.71	4.51
Global Balanced Inc	6	95.57	96.12	102.80	-0.67	4.51
Value Tst Acc		75.17	76.37	81.68	-0.64	4.07
Value Tst Inc	6½	73.30	74.47	79.64	-0.62	4.07
Intl Pen & Ch'ties Inc ♦	2	94.33	95.84	100.62	...	3.60
Intl Pen & Ch'ties Acc ♦	2	92.49	93.97	98.65	...	3.60
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	47.02	47.32xd	50.33	...	–
Overseas	5	40.53	40.77	43.37	...	–
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	46.14	46.14	49.20	-0.43	0.23
(Accum Units)	5	47.48	47.48	50.63	-0.44	0.23
Cash	0	50.00	50.00	50.00	...	14.88
Accum Units	0	50.00	50.00	50.00	...	14.88
European Opps ♦	5	65.04	65.04	69.36	-0.54	0.00
(Accum Units) ♦	5	65.39	65.39	69.74	-0.55	0.00
Far Eastern Opps	5	112.16	112.44	119.93	-2.36	0.00
(Accum Units)	5	112.88	113.16	120.70	-2.37	0.00
Golden Opps	5	31.89	31.96	34.08	-0.09	0.00
(Accum Units)	5	32.80	32.88	35.06	-0.08	0.00

	Bid Price	Offer Price	+ or -	Yield Gr's
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 5	41.0	42.6xd	+1.70	2.42
Euro Expt Sept 5	50.5	53.0xd	+0.70	2.19
Fixed Int Ex Sep 5	42.3	43.5	+0.75	11.62
Japan Expt Sept 5	39.9	41.6	-0.20	0.73
Managed Ex Aug 30	39.0	40.5		5.27
SE Asia Expt Sept 5	60.1	63.0	+3.00	3.45
Sm Cos Expt Sept 5	32.2	33.8	...	5.29
UK Eqty Ex Sept 5	36.9	38.74	...	4.95
Phillips & Drew Fund Management Ltd				
Small Co's Aug 1	747.6	795.0	...	4.45
Do Accum	820.7	873.5	...	4.45
Int Exempt Aug 30	155.1	158.0	...	2.9
UK Index Aug 1	1114	1136	...	4.5
Do Accum	1163	1185	...	4.5
Convertible Sept 3	84.29	86.68		8.3
World ex UK Index Aug 27	650.2	659.2		2.19
Do Accum	650.2	659.2		2.19
Japan Index Aug 27	511.1	518.6	...	0.6
Do Accum	512.1	519.5	...	0.6
USA Index Aug 27	743.5	749.6	...	3.6
Do Accum	755.0	760.1	...	3.6
Europe ex UK Index Aug 27	843.13	864.1	...	2.6
Do Accum	856.4	877.4	...	2.6
Pacific ex Jap Index Aug 27	782.3	805.2	...	5.4
Do Accum	797.1	820.3	...	5.4
Managed Exempt Aug 30	92.24	93.89	...	5.04
NM Rothschild Asset Management Ltd				
NC Managed	54.1	57.0xd	-0.3	4.38
NC Property	179.5	196.5	...	–
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	130.5	131.61	...	2.97
Stewart Ivory & Co Ltd				
Salms PPP Aug 13	245.8	258.11	...	–
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sept 3	91.53	96.95	...	4.26
(Accum Units)	93.34	98.87	...	4.26

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	61.9	65.1	-0.5	-
Stock Market Wage Fund	59.1	62.2	-0.6	-
Equity Fund	66.4	69.9	-0.6	-
International Fund	52.4	55.2	-0.5	-
European Fund	64.9	68.3	-0.5	-
North American Fund	51.5	54.2	-0.2	-
Pacific Fund	55.9	58.8	-0.6	-
Property Fund	87.0	91.6	----	-
Fixed Interest Fund	51.1	53.7	-0.1	-
Index linked Sec Fund	57.3	60.3	-0.1	-
Deposit Fund	64.8	68.3	+0.1	-
NUAM Retirement Plans				
Mixed Fund	67.1	70.6	-0.5	-
UK Ordinary Share Fd	76.5	80.5	-0.8	-
International Fund	57.0	60.0	-0.6	-
Property Fund	85.1	89.6	+0.1	-
Fixed Interest Fund	60.5	63.7	----	-
Index Linked Sec Fund	60.4	63.6	-0.1	-
Deposit Fund	74.8	78.7	----	-
NUAM (MF)				
Managed Fund	875.1	921.2	-4.6	-
Equity Fund	1825.9	1922.0	-16.0	-
International Fund	138.4	145.7	-1.5	-
Property Fund	550.4	579.4	+0.1	-
Fixed Interest Fund	382.5	402.7	-0.4	-
Index Linked Sec Fund	58.3	61.4	-0.1	-
Deposit Fund	266.4	280.5	+0.1	-

Norwich Union Life Insurance Soc.
Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	104.17	109.66	+0.03	-
Managed Fd	84.29	88.73	-0.36	-
UK Ord Share Fd	87.13	91.72	-0.64	-
International Fd	77.60	81.68	-0.41	-
European Fd	89.97	94.71	-0.34	-
North American Fd	78.51	82.64	+0.09	-
Pacific Fd	70.69	74.41	-0.38	-
Property Fd	99.89	105.15	+0.02	-
Fixed Int Fd	92.27	97.13	+0.07	-

Sun Alliance International Life
PO Box 77 New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	$8.26	8.69	----	-
Pacific Equity $	$7.28	7.84	----	-
Intl Currency $	$4.32	4.65	----	-
Intl Bond Fund $	$6.72	7.23	----	-
Gilt Fund £	£3.81	4.11	----	-
US Dollar Mngd Fd $	$1.65	1.77	----	-
Stlg Managed Fd £	£1.03	1.11	----	-

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Pens Plan	£0.73	0.79	----	-

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	188.7	198.7	+0.7	-
Target Mngd Pension	116.3	122.5	+0.6	-
Albany Life Acc	172.9	181.9	-2.1	-
Albany Pens Acc	215.6	226.9	-8.2	-

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

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JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Wells Fargo U.S. IT Fund
NAV Aug 31 ... $9.51

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ♦ Distribution free of UK taxes. ♯ Periodic premium insurance plans. ‡ Single premium insurance. ◘ Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities) x Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. ♯ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.
(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Isle of Man Financial Supervision Commission; Jersey Commercial Relations Department; Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

ERM hopes support sterling

STERLING HAD a firmer tone yesterday on the view that it is a currency with speculative attraction at a time when the market is generally quiet and dull. The pound has been one of the more volatile currencies since the beginning of the Gulf crisis and is remaining at the centre of attention on speculation that it will become a full member of the European Monetary System this month.

The Gulf crisis will inevitably dwarf all other issues if it results in direct military conflict, but the present stand-off between Iraq and the US-led forces has dampened activity in the currency markets.

US economic news has pointed to a weakening economy and the possibility of recession. This is putting downward pressure on the dollar, but dealers are reluctant to run short positions in the currency for fear that the situation in the Middle East may erupt at any time. The dollar has not sustained its reputation as a safe haven currency since the Iraqi invasion of Kuwait, but if the situation deteriorates the dollar's status could change very quickly.

Nervousness about the Gulf created volatility initially but is now tending to keep foreign exchange trading subdued. Sterling gained about 10 cents and 8 pfennigs,touching $1.95 and DM3.03, as oil prices rose in reaction to the Iraqi take over of Kuwait and threats against Saudi Arabia. But on reflection that the importance of oil's contribution to the British economy had been exaggerated,has sterling fell back, losing most of the gains seen during the first three weeks of August.

The pound showed a better tone yesterday. High London interest rates continue to supply support, but in the absence of new developments in the Gulf sterling could face a test if the market's timetable for entry into the EMS exchange rate mechanism is not fulfilled this month.

At last night's close in London the pound had gained 40 points to $1.8770. It also rose to DM2.9725 from DM2.9675; to Y269.50 from Y268.75; to SFr2.4725 from SFr2.4650; and to FFr9.9625 from FFr9.9450. Sterling's index gained 0.2 to 94.5.

A fall in the August US National Association of Purchasing Managers' index to 47.0 from 47.4 tended to confirm the view of a depressed economy, but had little impact on the dollar. At the London close the dollar showed small mixed changes, falling to DM1.5835 from DM1.5845 and to FFr5.3075 from FFr5.3100, but rising to Y143.60 from Y143.50 and to SFr1.3170 from SFr1.3160. Its index rose 0.1 to 63.8.

The highest placed Spanish peseta weakened within the EMS and the Italian lira lost ground. Lower domestic interest rates weighed against the lira. The D-Mark rose to L745.80 from L743.75. The French franc was little changed against the D-Mark, gaining support from the recent firming of short-term interest rates in Paris.

£ IN NEW YORK

Sep.4	Close	Previous Close
£ Spot	1.8785-1.8795	1.8900-1.8910
1 month	1.16-1.15pm	1.08-1.07pm
3 months	3.08-3.07pm	3.15-3.12pm
12 months	10.2-10.1pm	10.4-10.3pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.4	Previous
8.30 am	94.6	94.4
9.00 am	94.7	94.2
10.00 am	94.7	94.2
11.00 am	94.6	94.3
Noon	94.4	94.4
1.00 pm	94.5	94.3
2.00 pm	94.3	94.4
3.00 pm	94.4	94.4
4.00 pm	94.5	94.4

CURRENCY MOVEMENTS

Sep.4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.5	-17.7
U.S Dollar	63.8	-15.2
Canadian Dollar	103.1	+1.2
Austrian Schilling	109.7	+11.6
Belgian Franc	111.6	-2.2
Danish Krone	110.2	+4.3
Deutsche Mark	118.7	+24.4
Swiss Franc	116.2	+25.1
Guilder	114.5	+15.9
French Franc	105.2	-11.8
Lira	99.8	-19.1
Yen	124.7	+55.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.31 .

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OTHER CURRENCIES

[illegible]

* Selling rate

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8735 - 1.8850	1.8765 - 1.8775	1.17-1.14cpm	7.38	3.10-3.06pm	6.56
Ireland†	1.6925 - 1.7045	1.6930 - 1.6940	0.42-0.37cpm	2.80	1.39-1.29pm	3.17
Canada	1.1530 - 1.1625	1.1610 - 1.1620	0.48-0.51cdis	-5.11	1.30-1.35dis	-4.56
Netherlands	1.7725 - 1.7860	1.7845 - 1.7855	0.06-0.08cdis	-0.47	0.24-0.27dis	-0.57
Belgium	32.30 - 32.60	32.50 - 32.60	par-5.00cdis	-0.92	5.00-13.00dis	-1.11
Denmark	6.02½ - 6.06¼	6.03¾ - 6.04¼	1.15-1.40oredis	-2.53	3.50-4.20dis	-2.55
W. Germany	1.5725 - 1.5865	1.5830 - 1.5840	0.04-0.06pfdis	-0.38	0.19-0.22dis	-0.52
Portugal	139.25 - 139.75	139.65 - 139.75	75-90cdis	-7.09	240-280dis	-7.44
Spain	98.20 - 99.00	98.80 - 98.90	55-61cdis	-7.04	156-166dis	-6.51
Italy	1170 - 1181½	1180¼ - 1181¼	2.00-2.50liredis	-2.29	7.70-8.70dis	-2.78
Norway	6.08 - 6.12¼	6.10¾ - 6.11¼	1.20-1.45oredis	-2.60	3.60-4.20dis	-2.55
France	5.27 - 5.31¼	5.30½ - 5.31	0.96-1.01cdis	-2.23	3.02-3.12dis	-2.31
Sweden	5.77¼ - 5.81	5.80 - 5.80½	2.13-2.28oredis	-4.56	6.95-7.50dis	-4.98
Japan	143.15 - 144.20	143.55 - 143.65	0.01-0.03ydis	-0.17	0.08-0.11dis	-0.26
Austria	11.07 - 11.15	11.10 - 11.10½	0.25-0.60grodis	-0.46	1.50-2.50dis	-0.72
Switzerland	1.3095 - 1.3240	1.3165 - 1.3175	0.03-0.06cdis	-0.41	0.17-0.23dis	-0.61
ECU	1.3055 - 1.3195	1.3080 - 1.3090	0.22-0.21cpm	1.97	0.73-0.71pm	2.20

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8795 - 1.8850	1.8765 - 1.8775	1.17-1.14cpm	7.38	3.10-3.06pm	6.56
Canada	2.1705 - 2.1775	2.1795 - 2.1745	0.47-0.37cpm	2.32	1.18-1.03pm	2.03
Netherlands	3.33½ - 3.35½	3.34½ - 3.35½	2-1¾cpm	6.94	5-4¾pm	5.90
Belgium	60.75 - 61.20	61.05 - 61.15	38-27cpm	6.38	92-75pm	5.47
Denmark	11.33¼ - 11.39¾	11.33¼ - 11.34¼	5-4¼orepm	4.90	12¼-10¾pm	4.06
Ireland	1.1010 - 1.1100	1.1055 - 1.1065	0.38-0.33ppm	3.85	1.15-1.03pm	3.94
W. Germany	2.95¾ - 2.97½	2.97 - 2.97½	1⅝-1½pfpm	6.31	4¾-4½pm	6.22
Portugal	260.85 - 263.35	260.95 - 261.95	36-5cpm	0.94	77-21pm	0.75
Spain	184.55 - 186.40	185.00 - 185.30	9-3cpm	0.39	21-11cpm	0.35
Italy	2204¾ - 2218	2216¼ - 2217¼	10-8½lirepm	5.01	22-20pm	3.79
Norway	11.43¼ - 11.50½	11.46¼ - 11.47¼	4¾-4¼orepm	4.77	12¼-10¾pm	4.03
France	9.92 - 9.97½	9.95¾ - 9.96¾	4¾-4¼cpm	5.12	10¾-10¼pm	4.24
Sweden	10.87 - 10.94	10.88¾ - 10.89¾	2¾-2¼orepm	2.82	5¼-3¾pm	1.68
Japan	269 - 271¼	269 - 270	1⅝-1½ypm	6.96	4¾-4¼pm	6.40
Austria	20.82 - 20.92	20.85 - 20.86	11¾-11gropm	6.58	33¼-31pm	6.15
Switzerland	2.46¼ - 2.47¾	2.46¾ - 2.47¾	1¼-1¼pm	6.37	3¼-3¾pm	5.97
ECU	1.4285 - 1.4310	1.4290 - 1.4300	0.64-0.61cpm	5.25	1.59-1.54pm	4.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.87-5.80cpm . 12 Month 10.25-10.10pm .

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3852	+0.52	+0.09	±1.5508
Danish Krone	7.79845	7.90116	+1.32	+0.89	±1.6453
German D-Mark	2.04446	2.06269	+0.89	+0.46	±1.1762
French Franc	6.85684	6.91385	+0.83	+0.40	±1.3618
Dutch Guilder	2.30358	2.32462	+0.91	+0.48	±1.5272
Irish Punt	0.763159	0.768735	+0.73	+0.30	±1.6689
Italian Lira	1529.70	1536.60	+0.45	+0.02	±1.5162
Spanish Peseta	132.889	128.869	-3.03	-3.03	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Sep 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	8⅛ - 8	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	12¼ - 12	12 - 11¾
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9 - 8¾
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

ECU-STERLING $s per £

	Spot	1-mth.	3-mth.	6-mth.	12-mth.
	1.8770	1.8655	1.8462	1.8187	1.7753

	Close	High	Low	Prev.
Sep	1.8752	1.8776	1.8690	1.8858
Dec	1.8450	1.8480	1.8380	1.8556
Mar	1.8176	1.8190	1.8100	1.8282

THREE-MONTH PIBOR FUTURES (MATIF)

September	89.59	89.60	-0.06	89.62	89.57	10.40	9,957
December	89.58	89.62	-0.05	89.63	89.57	10.39	11,099
March	89.55	89.58	-0.04	89.58	89.55	10.42	2,830
June	89.56	89.58	-0.03	89.60	89.56	10.42	472

Estimated volume 7,534 Total Open Interest 24,358

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
September	1605.0	1618.0	-16.0	1620.0	1585.0	9,499
October	1605.0	1606.5	-31.5	1610.0	1596.0	147
November	1610.0	1610.0	-39.0	1610.0	1610.0	0
December	-	-	-	-	-	51

Estimated volume 10,049 Total Open Interest 9,697

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

London rates lower

INTEREST RATES continued to ease in London yesterday. Sentiment was again boosted by speculation about sterling becoming a full member of the EMS in the near future, encouraging hopes of lower bank base rates later this year. Britain's official reserves rose by an underlying $366m in August. This was above market estimates of around $100m, but had no impact on trading.

Three-month interbank was quoted at 14$\frac{11}{16}$-14$\frac{9}{16}$ per cent against 14$\frac{13}{16}$-14$\frac{11}{16}$, while 12-month money fell to 14$\frac{7}{16}$-14$\frac{5}{16}$ per cent from 14½-14$\frac{7}{16}$.

UK clearing bank base lending rate 15 per cent from October 5, 1989

Short sterling futures rose in quiet trading. December delivery opened slightly higher at 85.82, and closed at 85.89 compared with 85.81 previously.

The Bank of England initially forecast a day-to-day credit shortage of £450m on the money market, but revised this to £550m at noon and to £600m in the afternoon. Total help of £508m was provided.

Before lunch the authorities bought £310m bank bills in band 2 at 14⅞ per cent. In the afternoon another £198m bank bills were purchased in band 2 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £642m. This outweighed Exchequer transactions adding £40m to liquidity, a fall in the note circulation of £115m, and bank balances above target of £45m.

In Brussels the Belgian National Bank cut its three-month Treasury bill rate - the main instrument of credit policy - by 0.05 per cent to 9.10 per cent. Rates on one and two-month bills were reduced by a similar amount to 9.05 and 9.10 per cent respectively. The central bank said the latest cut in rates was a reflection of the strong position of the Belgian franc against the D-Mark and the Dutch guilder within the EMS. The three-month rate is now 0.85 per cent lower than in early May when the Belgian authorities announced a plan to link the franc more closely to the D-Mark.

In Frankfurt call money rose to 8.075 from 8.05 per cent, remaining above the Lombard emergency financing rate. The recent tight conditions prompted hopes that the Bundesbank will add liquidity at this week's securities repurchase agreement tender. The central bank has offered funds via a two-tranche tender for 29 and 58 days at variable bid rates, to replace a facility of DM20bn expiring today.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.4) 3 months US dollars		6 months US Dollars	
bid 7$\frac{15}{16}$	offer 8$\frac{1}{16}$	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

(4pm)

Prime rate	10	One month	7.47	Three year	8.26
Broker loan rate	9¾	Two month	7.55	Four year	8.45
Fed.funds	8⅛	Three month	7.65	Five year	8.54
Fed.funds at intervention	8	Six month	7.75	Seven year	8.79
		One year	7.77	10-year	8.90
		Two year	8.09	30-year	9.03

Sep.4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.15	8.10-8.25	8.15-8.30	8.25-8.40	8.55-8.75	8.00
Paris	10$\frac{1}{16}$-10$\frac{3}{16}$	9⅞-10	10-10⅛	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅜-10½	9.50
Zurich	7⅝-7⅞	8⅛-8⅜	-	8½-8⅝	-	-
Amsterdam	8.06-8.18	8.26-8.36	-	8.46-8.56	-	-
Tokyo	7$\frac{11}{16}$-7$\frac{13}{16}$	8⅛-8¼	-	8$\frac{3}{16}$-8⅜	-	-
Milan	10⅝-11	10-10⅛	-	11-11⅛	-	-
Brussels	7.65	9⅛-9¼	-	9⅛-9¼	-	-
Dublin	10¼-10¾	10⅞-11	11$\frac{1}{16}$-11$\frac{3}{16}$	11$\frac{1}{16}$-11$\frac{3}{16}$	11½-11⅝	-

LONDON MONEY RATES

Sep 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CROSSWORD

No.7,333 Set by MUTT

ACROSS

1 Rallied to the sound of a hot accompaniment (8)
5 Avoid giving points to champ (6)
9 Family pet perhaps a biter? – Violet, so-named! (8)
10 Stick with a hundred to go (6)
12, 21 People tending to flock for transport to hospital in London (9,4)
13, 14 Fact: Leo V travelling east did an about-turn (5-4)
16 The followers, straggling, reunite (7)
19 Ravishing TV siren has had a hard struggle (7)
21 See 12
24 Hang around, as when flight is suspended? (5)
25 Champ, seeing Mum's twitch, scoffed (9)
27 Cartoon character getting double the money (6)
28 Gave Fred a do – loud reception – and bore the expense (8)
29 Flower follows the model for a sampler (6)
30 Wild with butler and heartless, say, to cook (8)

DOWN

1 Demure way to follow fashion (6)
2 Artist turned up clutching key that's given in the middle (6)
3 Historic time: when it's all over, hard to manage (5)
4 Rue Pete getting involved with the Muse of Music (7)
6 Vet, alas, is put out by the way one drools (9)
7 Principal country, that's the point (8)
8 If we should start the detonation? – on no occasion, at any time (8)
11 Exploiter of interior house repairs (4)
15 Rave diets can be disastrous – but how to let people know? (9)
17 What is sex appeal when all's said and done? (2,4,2)
18 Shut up about the vicar and Sunday bars (8)
20 In New Brunswick speak hesitantly without feeling (4)
21 Bus half crowded can take one dwarf (7)
22 Rather than dawdle about, go for a walk (6)
23 Such a sin could be fatal (6)
26 Is introducing dupe to figures (5)

Solution to Puzzle No.7,332

VINEGAR BABBLER
READE ASSAILANT
INTHESWIM ASHEN
OPINE REARRANGE
ENGROSSED CYCLE
FOLIO CHECKMATE
ROCKINESS PRIZE
EXTREME ENTREAT

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

CANADA

TORONTO

Closing prices September 4

MONTREAL

Closing prices September 4

Total Sales 2,570,810 shares.

INDICES

NEW YORK

DOW JONES	Sept. 4	Aug. 31	Aug. 30	Aug. 29	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2613.37	2614.36	2593.32	2632.43	2999.75 (16/7)	2483.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.33	89.11	89.25	89.22	93.04 (3/1)	88.48 (2/5)	—	—
Transport	896.08	901.44	901.26	911.13	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	196.05	195.93	193.72	195.61	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2618.07 (2624.50) Low 2573.02 (2569.31)

STANDARD AND POOR'S

	Sept. 4	Aug. 31	Aug. 30	Aug. 29	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	323.09	322.56	318.71	324.19	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	382.86	382.05	377.71	384.47	437.37 (16/7)	362.25 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.98	24.00	23.68	24.01	31.87 (3/1)	22.87 (23/8)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	177.13	176.97	175.23	177.78	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	322.74	323.39	322.91	324.23	382.45 (5/1)	315.85 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	381.67	381.21	378.68	381.78	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Aug 24	Aug 17	Aug 10	year ago (approx.)
Dow Industrial Div. Yield	4.29	4.10	3.98	3.39

	Aug 29	Aug 22	Aug 15	year ago (approx.)
S & P Industrial div. yield	3.24	3.34	3.11	2.75
S & P Indl. P/E ratio	15.47	14.96	16.07	14.31

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pinnacle	1,986,500	12⅛	- 3⅞
Gen. Electric	1,513,500	61¼	- ⅛
IBM	1,187,500	102½	+ ½
Philip Morris	1,182,800	45⅛	—
Eastman Kodak	1,104,000	40¾	+ ⅞
Boeing	1,089,800	48⅝	+ ⅞
Exxon	1,089,500	50⅛	+ ⅛
Contl. Corp.	1,086,100	24⅛	—
Am. Express	1,055,800	24⅛	—
A T & T	1,031,200	32	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Sept. 4	Aug. 31	Aug. 30
New York	92.940	96.480	120.890
Amex	8.787	6.697	7.312
NASDAQ	(u)	79.851	106.302
Issues Traded	1,950	1,939	1,969
Rises	657	890	467
Falls	805	572	995
Unchanged	488	477	507
New Highs	4	2	4
New Lows	2	91	67

CANADA

TORONTO	Sept 4	Aug. 31	Aug. 30	Aug. 29	1990 HIGH	1990 LOW
Metals & Minerals	3027.20	3046.71	3027.32	3020.76	3453.05 (4/1)	2850.80 (23/4)
Composite	3333.27	3346.25	3329.83	3339.72	4009.47 (3/1)	3329.83 (30/8)
MONTREAL Portfolio	1748.89	1756.54	1743.01	1752.42	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sept. 4	Sept. 3	Aug. 31	Aug. 30	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1494.2	1504.3	1507.6	1504.0	1713.7 (2/1)	1434.5 (30/4)
All Mining (1/1/80)	737.9	738.7	741.2	737.8	860.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	507.57	581.53	540.44	550.81	703.29 (19/3)	464.55 (25/8)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5472.88	5560.91	5608.12	5624.88	6599.43 (12/1)	5243.52 (23/8)
DENMARK						
Copenhagen SE (3/1/83)	358.50	361.51	360.18	358.88	388.29 (30/7)	347.69 (23/8)
FINLAND						
Unitas General (1975)	512.3	512.8	516.5	516.9	677.3 (23/1)	512.3 (4/9)
FRANCE						
CAC General (31/12/82)	444.73	455.85	464.43	464.86	564.62 (30/5)	417.98 (22/8)
CAC 40 (31/12/87)	1620.93	1644.01	1690.17	1723.23	2129.32 (20/4)	1546.51 (21/8)
GERMANY						
FAZ Aktien (31/12/58)	686.25	691.53	693.31	703.00	832.32 (19/7)	655.37 (23/8)
Commerzbank (1/12/53)	1966.7	1984.6	1987.7	2017.2	2414.8 (3/4)	1875.4 (23/8)
DAX (30/12/87)	1590.07	1629.22	1629.51	1638.95	1968.55 (30/3)	1520.34 (23/8)
HONG KONG						
Hang Seng Bank (31/7/64)	3054.16	3066.81	3087.50	3064.19	3559.89 (25/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1293.25	1312.97	1323.27	1333.88	1893.10 (22/1)	1278.96 (23/8)
ITALY						
Banca Com. Ital. (1972)	603.96	614.48	626.88	628.57	763.52 (14/6)	584.37 (24/8)
JAPAN						
Nikkei (16/5/49)	24907.64	25420.43	25978.37	25669.96	38712.88 (4/1)	23737.63 (23/8)
Tokyo SE (Topix) (4/1/68)	1910.38	1945.92	1973.97	1956.82	2867.70 (4/1)	1829.25 (23/8)
2nd Section (4/1/68)	3761.51	3821.84	3830.46	3770.84	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	550.82	550.74	(c)	540.85	632.22 (1/8)	480.77 (23/8)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	242.6	243.7	242.1	243.6	271.9 (20/7)	236.7 (23/8)
CBS All Shr (End 1983)	179.8	180.9	179.7	180.9	206.3 (3/1)	176.1 (24/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	865.64	864.63	866.45	861.89	915.13 (2/8)	781.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	732.42	748.16	758.27	740.50	1160.79 (21/3)	683.58 (23/8)
SINGAPORE						
SES All-Singapore (2/4/75)	350.17	353.35	358.53	353.26	446.87 (16/7)	321.66 (23/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	1649.0&	1685.0	1674.0	1688.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2903.0&	2894.0	2901.0	2880.0	3211.0 (6/2)	2738.0 (24/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	632.34	635.37	606.87	626.85	928.82 (4/1)	587.38 (25/8)
SPAIN						
Madrid SE (30/12/85)	250.21	254.72	257.72	257.27	309.74 (16/7)	234.79 (23/8)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1137.0	1153.9	1159.6	1166.20	1329.9 (5/7)	1086.4 (23/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	686.6	697.1	699.2	699.1	845.5 (13/7)	656.4 (23/8)
TAIWAN**						
Weighted Price (30/6/66)	3600.75	3574.89	3635.28	(c)	12495.34 (10/2)	3135.56 (24/8)
THAILAND						
Bangkok SET (30/4/75)	873.34	901.54	862.75	839.80	1143.78 (25/7)	695.81 (24/8)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	469.9	474.1	472.6	571.0 (4/1)	448.3 (24/8)

**Saturday August 25: Taiwan Weighted Price: 3164.61. Korea Comp Ex. 587.38

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 4 September 1990

	Stocks Traded	Closing Prices	Change on day
Ube Industries	21.2m	824	+37
Kurabo Inds	17.4m	1,820	0
Nippon Steel	9.3m	481	-14
Japan Mtl&Chm	7.6m	1,980	+40
Toshiba	7.4m	940	-15
Godo Steel	7.2m	2,380	+110
Nippon Lt Mtl	7.1m	1,240	-50
Fuji Heavy Ind	5.8m	845	-2
Teikoku Oil	5.8m	1,430	+10
Fujita Corp	5.6m	1,490	-40

4pm prices September 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	15¾	AAR	.48	3.1	10	162	15¾	15½	15⅝	– ⅛
9¼	7⅛	ACM n	1.01	13.		684	8¼	7⅞	7⅞	– ⅛
11⅝	9⅜	ACMIn	1.26	13.		347	9⅞	9⅝	9⅝	
9¼	7	ACM M n	1.01	14.		349	7¼	7⅛	7⅛	– ⅛
12¼	10	ACMMM	1.50	13.		104	11⅝	11½	11⅝	
11½	9⅜	ACM Sc	1.26	13.		719	9⅝	9½	9½	– ⅛
9⅜	7⅞	ACMSp	1.01	12.		282	8¼	8⅛	8¼	+ ⅛
24⅝	14⅝	AL Lab	.16	.8	17	127	19¼	18¾	19	– ¼
5¼	1⅝	AM Intl				166	1¾	1⅝	1¾	
23⅛	7	AM In pf	2	23.		17	9	8⅞	8⅞	– ⅞
107¼	43⅞	AMR			10	2699	46¼	44¼	45¼	+ ½
28½	25	ANR pf	2.67	10.		3	25¾	25¾	25¾	+ ⅛
4¼	2⅞	ARX			9	5	2⅞	2⅞	2⅞	
72¾	41⅞	ASA	3a	6.1		356	49⅞	49¼	49½	
45⅝	30⅞	AbtLab	s.84	2.1	19	5444	40⅛	39⅛	40	
15⅛	11¼	Abitibi g	.50			90	13⅝	13½	13⅝	
11⅞	6	AcmeC	.40	6.5	7	15	6¼	6⅛	6⅛	– ¼
32¾	18⅞	Acuson s			25	650	30⅛	29¼	30⅛	+ ⅛
16⅞	14⅛	AdaEx	2.06e	14.		230	16⅝	15¾	16¼	– ⅞
15⅛	10	Adobe				557	11¼	11⅛	11⅛	+ ⅛
20¼	17⅞	Adob pf	1.84	10.		1	17¾	17¾	17¾	– ⅛
21⅝	20⅛	Adob pf	2.40	12.		8	20¾	20⅝	20⅝	– ⅛
11⅞	4⅞	AMD			23	5846	5⅞	5⅝	5⅝	+ ¼
32⅝	23¼	AMD pf	3	12.		25	24½	24	24¼	+ ¼
9¼	3⅛	Advest	.16	4.6	44	74	3½	3¼	3½	+ ⅛
62½	43⅛	AetnLf	2.76	6.4	7	1058	43¾	d43	43¼	
13¾	8¼	AflPb	.24	2.7		12	9	8⅞	9	
25	16⅝	Ahmans	.88	5.3	7	1332	16⅞	16⅝	16⅝	– ¼
3⅝	1⅞	Aileen			7	102	3	2⅞	2⅞	– ⅛
61	43	AirPrd	1.44	3.2	11	831	45½	45	45½	– ⅛
27	18⅞	AirFrt s	.30	1.5	11	1780	20⅞	19⅞	20	– ⅞
24⅝	13⅞	Airgas			26	14	16⅝	15¾	15⅛	– ⅞
20¼	16½	Airlease	2.52	15.	9	11	17½	17¼	17⅛	+ ⅛
23½	21¼	AlaP pf	2.07e	9.1		5	22⅞	22¾	22⅞	+ ⅛
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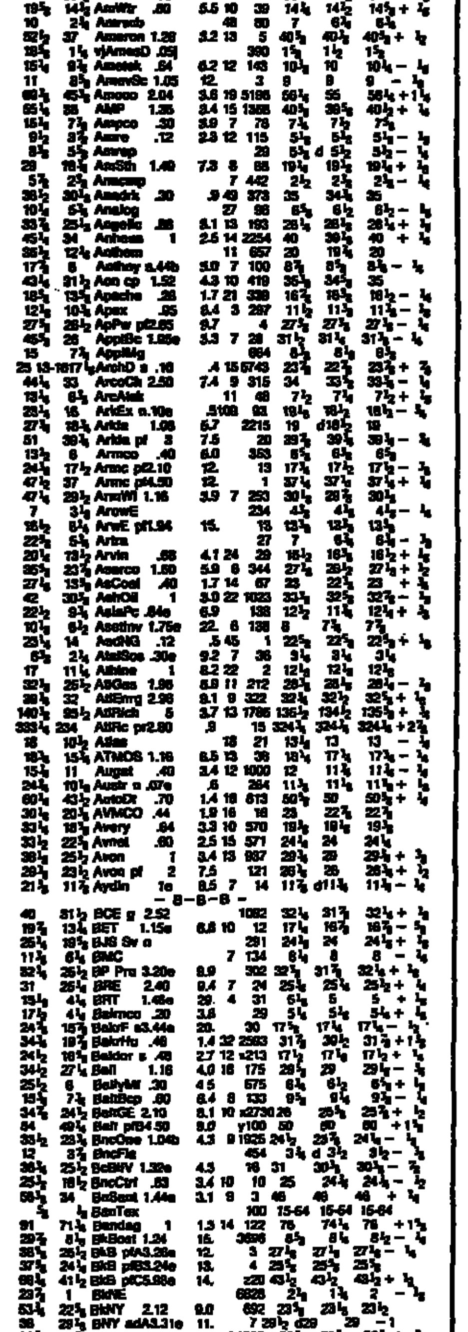


Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

4	1⅛	Zapata				260	1½	1⅜	1⅜	- ⅛
10⅞	5	Zemex				10	5⅝	5⅝	5⅝	+ ⅛
17⅛	5½	ZenithE				392	5¼	d 5¼	5⅜	
20⅛	13⅞	ZenNt	.88	6.5	6	1	13⅝	13⅝	13⅝	- ⅛
8¼	4½	Zenux	.90	17.		674	5⅝	5¼	5⅜	+ ⅛
16½	10⅝	Zero	.40	3.5	11	67	11⅜	11⅜	11⅜	- ⅛
51⅛	34⅝	Zurnln	.78	2.0	17	107	39⅛	38½	38⅝	- ¾
12⅝	10⅛	Zweig	1.21e	11.		239	10⅛	10⅛	10⅛	
10	8⅝	ZweigTl	95	11.		949	8⅞	8⅝	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 4

NASDAQ NATIONAL MARKET

3pm prices September 4

AMERICA

Worries over Gulf threats push equities sharply lower

Wall Street

FALLING bonds, rising crude oil and gold prices and some threatening remarks from the Commander of the Iraqi air-force sent equities lower yesterday in quiet trading, with the Dow Jones Industrial Average closing at 2,593.32, down 39.10, *writes Janet Bush in New York.*

The Dow held above 2,600 in morning trading but then turned broadly and sharply lower in the afternoon on a wave of futures-related sell programs, touching a low of 2,578.46. Volume on the New York Stock Exchange was a modest 121m shares. The Dow had gained 17.58 points on Wednesday to close at 2,632.43.

Other major indices were also lower with the Nasdaq Composite index quoted 3.10 points lower at 378.68 and the broad based Standard & Poor's 500 index down 5.52 at 318.67.

The equity market fell along with Treasuries amid rising crude oil prices. The benchmark long bond closed $\frac{9}{32}$ lower for a yield of 8.98 per cent. On the New York Mercantile Exchange, October futures contracts were quoted 88 cents higher at $26.77 a barrel. Gold prices also rose on perceptions of increased tension in the Middle East, up $1 an ounce at $393.70 at the close.

The key to these movements was a report of remarks by the Commander of the Iraqi air-force, saying that Iraq would bomb Israel and Saudi Arabia if war broke out with the US. Although the markets are now getting used to a daily war of words and much confusion out of the Gulf, they are still not immune and react sharply to each development.

Oil stocks, which have been moving in the opposite direction to crude oil prices, did the same yesterday, falling as crude prices rallied. Chevron fell $1¼ to $75¼, Mobil dropped $1¼ to $63 and Texaco dipped $⅞ to $62¼.

Gold stocks were mixed in spite of higher precious metals prices with Homestake Mining up $¼ to $20⅛ but Newmont Gold down $2 to $46½. Newmont Mining, which owns Newmont Gold, fell $3⅜ to $44½. The parent company filed to offer 12m common shares and 6m warrants to buy additional shares in an issue which will reduce the 49 per cent stake in Newmont Mining held by Consolidated Gold.

Among blue chips, International Business Machines fell $2¼ to $101⅝, General Electric dropped $¾ to $61⅞ and American Telephone & Telegraph lost $1 to $31½. McDonald's, in contrast, added $¼ to $27¾ amid market interest in news that the company was testing a new 1950s-style diner concept in Tennessee.

Canada

STOCK prices closed lower in light post-Labor Day trading, amid rising world oil prices.

The composite index lost 12.98 to 3,333.27 as declines led advances 330 to 190. Volume was 13.9m shares, down from 17.1m on Friday, and trading value fell to C$163.5m from C$212.5m.

The October crude oil futures contract was up $1.56 to $28.88 a barrel near the end of the session, following a similar increase on international markets yesterday.

Eleven of 14 stock groups lost ground, led by transportation, off 2.8 per cent. Laidlaw 'B' fell C$¾ to C$20½ to lead the group. Gold, mining, financial services and industrial products were also lower. Energy stocks had the biggest sectoral gain, up 0.8 per cent, and the consumer products group also closed somewhat higher.

Royal Dutch helps bourse weather storm

Ronald van de Krol on Amsterdam's relatively restrained fall in the past five weeks

FOR A variety of reasons the Amsterdam bourse has weathered the Gulf crisis slightly better than many others in Europe. The Dutch market has been cushioned in part by the dominating presence of Royal Dutch/Shell, whose shares have benefited from higher oil prices. At the same time the Netherlands is not as dependent on foreign energy supplies as West Germany or Italy, providing a bit of a safety net for share prices.

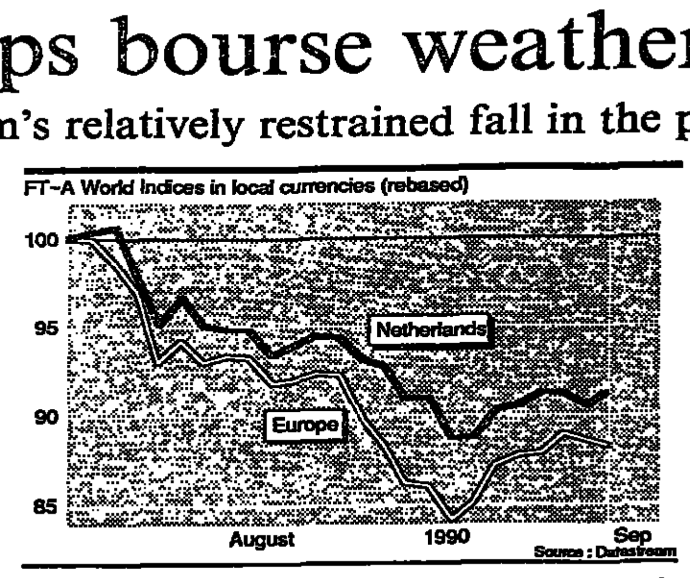
Another reason why the Dutch market dropped less dramatically is that it had not enjoyed the same kind of boom seen in neighbouring West Germany or in France in early 1990. In short, because it had not risen as far, the Amsterdam bourse did not fall as steeply as some of its European counterparts.

Apart from these differences, however, the Amsterdam Stock Exchange clearly shared in the general malaise touched off by the Iraqi invasion of Kuwait. Last month's geopolitical uncertainty also coincided with the traditional Dutch reporting season for half-year results. Mixed earnings and a downwards revision of profit expectations by several companies only added to the gloom.

The CBS General index fell 9.7 per cent in the course of August to stand at 179.7 points, easing 1.1 yesterday to 179.8. But the decline would have been even greater if had not been for Royal Dutch/Shell, which represents a huge 35-plus per cent of the Amsterdam bourse's total capitalisation. Excluding Shell, the August decline works out at nearly 12 per cent, a downturn approaching the rate seen, for example, in France.

Shell's strength is due to more than simply the effect of higher oil prices, according to Mr Frank Hoogendijk, an analyst at investment bank Pierson, Heldring & Pierson. "Royal Dutch is also seen as a good defensive stock," he says. "People may sell other shares at the moment, but they'll hang on to Shell."

Pakhoed, the transport and oil storage group, is another rare example of a company benefiting from the crisis. But there have been many more losers than winners.



Shares in Nedlloyd, the transport company, fell sharply after the company announced on August 9 that its full-year results would fall substantially because of the Middle East crisis. Its share price was further buffeted on August 23 when the company decided to omit its interim dividend. In all, Nedlloyd fell 44.7 per cent in August to stand at Fl 51.80 ($29.60). Yesterday, it closed unchanged at Fl 51.60. Other shares that weakened considerably included KLM and chemicals groups, DSM and Akzo.

Although the Gulf is the main overriding factor influencing Dutch share prices at the moment, the crisis has also highlighted more long-term worries about a possible slowdown, or even recession, in western economies, particularly in the US. The Netherlands' top quoted companies are not only heavily dependent on exports, they are also keenly sensitive to the translation effects of a lower dollar.

"The recent earnings figures from the big Dutch companies show that currency movements are a problem for most of them. Many are active overseas in areas that are not doing so well, such as South America and now North America and the UK," Mr Fokko Tuin, an analyst at Amsterdam-based Kempen & Co, says.

In a pattern typical of many internationally active Dutch companies, VNU, the country's largest publisher, reported robust growth at home but posted some setbacks on foreign markets, producing flat results overall. Several companies, including Akzo, blamed disappointing figures in part on the effects of government austerity measures in Brazil.

In a report, ABN Bank noted that leading Dutch companies such as Hoogovens, Akzo, KLM and Philips are more vulnerable to international uncertainties at the moment than medium-sized Dutch companies that concentrate on the local European market. Other analysts agree, citing the favourable outlook at such European-oriented companies as Getronics, the automation group, and office equipment maker Oce van der Grinten.

EUROPE

Gulf crisis saps energy in general retreat

EVENTS IN the Middle East once again sapped energy in Europe yesterday with most markets sliding further in thin volumes, *writes Our Markets Staff.*

FRANKFURT beat a 2.4 per cent retreat in light trading, as the Gulf crisis and the recent weakness of corporate results kept most investors on the sidelines. The DAX index lost 39.15 to 1,590.07; it had managed to hold above the 1,600 level since August 27. The FAZ index fell 6.28 to 685.25. Turnover was DM3.6bn, slightly up on Monday's DM2.6bn, a 1990 low.

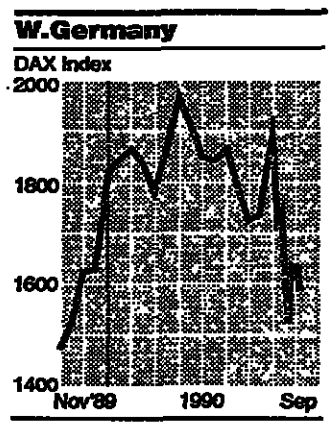
"The mood is so depressed that a few selling orders are sufficient to depress the market," said one observer. The reunification of the two Germanys is now regarded by many as more of a burden than an opportunity, he said, which is adding to the current misery. Moreover, stocks are still viewed as too expensive compared with bonds, even after recent declines.

The market took in its stride the news of a 14 per cent fall in first-half pre-tax profits from Hoechst, the chemical group, as this was in line with expectations. The company's shares lost only DM1.50 or 0.6 per cent to DM232.50. Elsewhere in the sector, BASF lost DM4.50 to DM231 and Bayer fell DM6.80 to DM240.20.

In the industrial sector, the big exporters continued to fall after gross national product figures showed a decline in the second quarter, putting further pressure on shares. Siemens lost DM18 to DM608 and Mannesmann lost DM13.50 to DM261. Continental, the tyremaker, lost DM2 to DM298, before an announcement that it had abandoned plans, at least temporarily, to co-operate with Pneumant, the East German tyremaker.

PARIS ended 1.4 per cent down but at its highest level of the day, as investors took heart from Wall Street's partial recovery in early trading there. The CAC 40 index ended 23.08 down at 1,620.93, after falling to a low of 1,591.88. Turnover was described as thin, but better than Monday's.

W.Germany



One of the day's few features was Sanofi, the pharmaceuticals company, which dropped FFr45 or 5.6 per cent to FFr755 after announcing worse-than-expected results for the first half. Béghin-Say, the sugar producer, fell FFr16 to FFr769 in unusually large volume of 112,500 shares.

MILAN fell again in thin trading, with turnover estimated at no more than Monday's light L116bn. The Comit index lost 10.52 or 1.7 per cent to 603.96. Fiat dropped L220 to L6,610 and Montedison declined L56 to L1,379.

ZURICH continued to worry about events in the Gulf. Light selling pulled the Crédit Suisse index down 8.2 to 546.9.

Oerlikon Bührle, the industrial and arms company, saw its bearer shares close SFr55 lower at SFr755 in active trading, after rising to SFr870 on news of the resignation of Dr Dietrich Bührle, chairman, and Mr Michael Funk, managing director. Expectations of heavy losses by the company caused the shares to fall back.

Bearer shares in Ascom, the telecommunications company, rose SFr50 to SFr2,850 after the company forecast a rise in 1990 profits.

AMSTERDAM eased in uninspired trading, with the CBS tendency index falling 1.2 to 100.4. Corporate news had some effect on shares, with Pakhoed, the transport and storage company, falling Fl 3.30 to Fl 193.20 after Monday's disappointing half-year results from Furness, the cargo handler being bought by Pakhoed.

VMF Stork, the engineering group, gained 20 cents to Fl 49.30 before announcing a 28 per cent rise in first-half net profits after the bourse had closed. Ahold, the retailer, was suspended an hour before the close: later it reported a 41 per cent rise in first-half net profits.

STOCKHOLM was discouraged by the lack of progress in the Middle East, with the Affärsvärlden General index falling 16.9 to 1,137.0. Turnover was low at SKr209m, but better than Monday's SKr148m. Ericsson free B shares fell SKr16 to SKr1,144.

MADRID fell on fears about the Gulf and higher crude oil prices. The general index lost 4.51 to 250.21 in thin turnover of Pta5.5bn, up from Monday's Pta4.6bn.

BRUSSELS saw the pace of its decline speed up towards the close, although volumes were thin. Petrofina, the oil group, lost BFr375 or 3.4 per cent to BFr10,500.

ISTANBUL's index lost 145.52, or some 2.9 per cent, to 4,827.41 in turnover of TL61.3bn, down from Monday's TL77.7bn; **VIENNA** slipped again, with the bourse index losing 12.71 to 568.82; and **LISBON**'s BTA index shed 43.0 to 2,569.4.

OSLO reversed the general European trend, lifted by its oil shares. The all-share index gained 1.97 to 602.81.

ASIA PACIFIC

Fears about oil price rise encourage profit-taking

Tokyo

SPIRITS were low in Tokyo yesterday as higher oil prices, weaker bonds and forecasts of rising inflation continued to paint a bleak picture. Investors chose to take profits, and share prices fell more than 500 points in very thin trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed down 512.79 at 24,907.64. During the day it reached a high of 25,459.84 and a low of 24,803.02. There were 858 declining stocks against 126 gains and 105 issues unchanged.

Trading was extremely quiet, with turnover falling to 330m shares from 360m on Monday. The Topix index of all listed stocks dropped 35.54 to 1,910.38 and, in London trading, the ISE/Nikkei 50 index closed down 0.10 at 1,429.56.

Yesterday's fall was led by declining futures prices, as investors sold futures heavily in order to hedge their positions. The fall in the futures market added to fears that unwinding of arbitrage positions would hit the market before the September futures contract expires on the 14th.

Higher oil prices and the accompanying rise in inflation troubled the market after news on Monday that leading oil-supplying countries would raise prices.

In addition, there was speculation that financial institutions, which have been cancelling some of their specialised investment trust funds before their September interim account period, will not reinvest in such specialised funds, analysts said.

Interest rates continued to climb in spite of last week's increase in the official discount rate, which investors had hoped would cap the rise in market rates by dispelling expectations of higher rates.

In this environment, the market was not expected to make a strong recovery in the immediate future, said Mr Tetsuya Fukami at Shearson Lehman Hutton.

Issues with special incentives stayed in the limelight with investors shifting preference from recent winners to other rising stars. Among those that fell from favour were Nippon Light Metal, which had been bought on the prospect of greater demand for its aluminium from the car industry. Its price dropped Y50 to Y1,240.

Ube Industries, the chemicals maker, took over from Nippon Light Metal as the leader among alternative energy issues. It topped the actives list with 21.2m shares and gained Y37 to Y824 on talk that demand for its magnesium would increase as car makers sought to reduce the weight of their cars.

Godo Steel was also actively bought and gained Y110 to Y2,380. It had been popular since it announced it was to take control of another small electric furnace steelmaker.

Tokyu Department Store was actively pursued and rose Y140 to Y1,580 on the recurring story that speculators were buying the issue, and on its moves to increase cross-shareholdings with other Tokyu group members to thwart the moves by speculators.

Large-capital and high-technology issues were sold in Osaka where the OSE average lost 642.23 to 29,313.36. Turnover rose to 42m shares from Monday's 37m.

Roundup

REGIONAL markets mostly declined on concern about the situation in the Gulf. This was exacerbated in several cases by political or corporate worries.

NEW ZEALAND fell sharply in thin trading after the resignation of Prime Minister Geoffrey Palmer. Continued unease about the Middle East situation also kept investors away.

The Barclays index lost 34.08 or 2.1 per cent to 1,598.23, in turnover unchanged from Monday's NZ$5.9m as volume fell to 6m shares from 8.3m. Brierley Investments was the most active stock, falling 5 cents to NZ$1.50.

AUSTRALIA was discouraged by half-year results from CRA, the country's leading mining house. The All Ordinaries index shed 10.0 to 1,494.2. Teething problems with the new dual floor and screen trading system also affected sentiment. CRA lost 10 cents to A$10.90 after announcing a 27 per cent fall in profits.

MANILA fell 2.1 per cent in quiet trading after a bomb exploded in the Philippines capital overnight. The composite index slipped 15.74 to 732.42. The market was also depressed not only by fears of a coup attempt, but also by the Middle East crisis, high interest rates and the weakness of the peso against the dollar.

BANGKOK ended lower after a volatile session. Early gains by banking and construction stocks were eroded by late profit-taking. The SET index fell 28.20 to 873.34.

TAIWAN recovered from early losses to close slightly higher after the previous day's 5.1 per cent decline. Bargain-hunters helped the weighted index add 25.86 to 3,600.75, with gains by the cement and bank sectors.

SEOUL declined after two days of gains, as turnover grew to Won197bn from Monday's Won102.6bn. The composite index eased 3.03 to 632.34.

HONG KONG's Hang Seng index slipped 12.65 to 3,054.16 in turnover down from Monday's HK$778m to HK$636m – the thinnest session since February 5.

BOMBAY fell sharply as investors squared positions after the stock exchange authorities imposed restrictions on trading on Monday. The BSE index fell 58.84 to 1201.93, after hitting a record the previous day.

SOUTH AFRICA

A DECLINE in bullion prices pulled Johannesburg gold shares lower yesterday, with the all-gold index falling 36 to 1,649. The Middle East situation and the violence in South Africa's black townships kept investors cautious.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 4 1990								MONDAY SEPTEMBER 3 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	143.53	−0.5	113.37	130.29	118.17	116.99	−0.8	6.30	144.27	114.19	130.86	118.85	117.88	158.31	125.85	154.91
Austria (19)	217.38	−1.9	171.70	197.32	178.96	178.21	−2.2	1.63	221.56	175.38	200.98	182.52	182.21	285.63	193.15	146.54
Belgium (61)	138.78	−1.7	109.62	125.97	114.25	111.40	−1.6	5.20	141.20	111.77	128.07	116.32	113.17	160.02	132.11	132.30
Canada (119)	132.65	−1.0	104.78	120.41	109.20	111.57	−0.3	3.64	133.97	106.05	121.52	110.35	111.85	163.61	130.37	151.75
Denmark (33)	256.61	−0.4	202.69	232.93	211.25	210.80	−0.7	1.41	257.68	203.97	233.75	212.27	212.38	277.62	238.69	191.96
Finland (26)	121.01	−0.4	95.58	109.85	99.62	94.20	−0.7	2.91	121.55	96.21	110.26	100.13	94.91	152.29	121.01	130.02
France (123)	135.61	−1.2	107.12	123.09	111.63	112.90	−1.2	3.63	137.25	108.64	124.49	113.06	114.32	168.85	133.16	129.49
West Germany (92)	120.84	−0.9	95.45	109.70	99.48	99.48	−1.0	2.27	121.97	96.55	110.65	100.48	100.48	144.63	117.75	97.52
Hong Kong (48)	125.09	−0.3	98.76	113.49	102.94	124.66	−0.3	5.21	125.45	99.30	113.79	103.35	125.06	147.49	112.24	107.99
Ireland (17)	147.40	−2.1	116.43	133.80	121.35	122.64	−2.0	3.54	150.50	119.13	136.52	123.98	125.11	198.57	146.81	151.43
Italy (96)	87.73	−2.2	69.30	79.63	72.22	77.38	−1.9	3.05	89.66	70.97	81.32	73.86	78.91	109.26	87.35	93.83
Japan (454)	126.45	−1.9	99.88	114.78	104.11	114.78	−1.8	0.74	128.92	102.05	116.94	106.21	116.94	197.26	118.66	177.79
Malaysia (35)	220.22	−0.5	173.95	199.89	181.29	227.98	−0.5	2.60	221.30	175.17	200.73	182.30	229.10	250.89	195.23	191.32
Mexico (13)	515.71	−1.0	407.35	468.12	424.57	1631.23	−1.0	0.32	521.18	412.54	472.76	429.34	1648.52	561.41	324.53	294.77
Netherland (42)	135.07	−0.7	106.69	122.60	111.20	110.04	−0.6	5.18	135.99	107.64	123.35	112.03	110.73	149.03	130.43	124.36
New Zealand (17)	61.45	−2.3	48.54	55.78	50.59	52.86	−2.6	6.76	62.93	49.81	57.08	51.84	54.27	75.36	59.57	87.73
Norway (23)	264.17	+0.5	208.66	239.80	217.48	219.08	+0.4	1.45	262.77	207.99	238.36	216.47	218.18	276.79	202.34	183.13
Singapore (25)	172.70	−1.2	136.41	156.76	142.17	140.31	−1.3	2.98	174.77	138.34	158.53	143.97	142.19	209.24	156.96	166.35
South Africa (60)	178.35	−1.0	140.88	161.89	146.82	152.58	−1.0	3.76	180.20	142.64	163.45	148.44	154.16	251.39	170.00	152.81
Spain (42)	152.67	−1.5	120.59	138.58	125.68	114.33	−1.5	4.81	155.05	122.73	140.64	127.72	116.05	182.25	132.84	158.65
Sweden (34)	195.72	−1.2	154.59	177.68	161.13	168.12	−1.3	2.39	198.08	156.79	179.68	163.17	170.37	234.93	173.89	179.74
Switzerland (68)	94.33	−1.7	74.51	85.63	77.67	77.02	−1.6	2.73	95.97	75.96	87.06	79.07	78.30	109.77	88.75	89.30
United Kingdom (301)	161.40	−0.6	127.49	146.50	132.86	127.49	−0.8	5.39	162.42	128.56	147.31	133.78	128.56	176.18	139.87	153.05
USA (536)	130.27	+0.1	102.90	118.25	107.25	130.27	+0.1	3.78	130.17	103.03	118.08	107.23	130.17	148.95	123.62	143.45
Europe (877)	138.25	−1.0	109.20	125.49	113.82	111.56	−1.1	4.14	139.63	110.53	126.66	115.03	112.78	157.65	135.57	128.42
Nordic (116)	198.66	−0.6	156.92	180.33	163.55	160.13	−0.8	1.90	199.91	158.24	181.33	164.68	161.48	223.29	185.01	164.93
Pacific Basin (659)	126.95	−1.8	100.28	115.24	104.52	115.01	−1.8	1.13	129.29	102.34	117.28	106.51	117.07	192.75	119.53	174.41
Euro−Pacific (1636)	131.90	−1.5	104.18	119.72	108.58	114.31	−1.5	2.42	133.85	105.95	121.40	110.26	116.02	174.18	127.11	166.15
North America (655)	130.32	+0.0	102.94	118.31	107.31	129.06	+0.1	3.77	130.31	103.15	118.21	107.36	128.99	148.43	124.33	143.65
Europe Ex. UK (676)	123.42	−1.2	97.49	112.06	101.63	101.89	−1.2	3.26	124.98	98.93	113.39	102.98	103.17	145.62	121.42	112.79
Pacific Ex. Japan (205)	132.10	−0.6	104.34	119.93	108.76	114.48	−0.8	5.57	132.90	105.20	120.57	109.49	115.35	146.72	122.53	133.68
World Ex. US (1828)	132.60	−1.4	104.74	120.37	109.17	115.00	−1.4	2.47	134.53	106.49	122.04	110.83	116.66	173.77	128.14	156.05
World Ex. UK (2063)	127.76	−1.0	100.91	115.97	105.19	119.03	−0.9	2.62	129.00	102.11	117.02	106.27	120.14	162.00	121.96	150.25
World Ex. So. Af. (2304)	130.46	−0.9	103.04	118.43	107.41	119.63	−0.9	2.91	131.67	104.22	119.45	108.48	120.73	161.84	125.26	150.47
World Ex. Japan (1910)	134.27	−0.4	106.06	121.90	110.56	122.60	−0.4	3.99	134.86	106.75	122.34	111.11	123.16	151.59	130.40	137.88
The World Index (2364)	130.75	−0.9	103.27	118.68	107.64	119.85	−0.9	2.92	131.96	104.46	119.71	108.72	120.96	162.05	125.57	150.48

Constituent change 4/9/90: Deletion: Subaru (US).